

BILL ANALYSIS

C.S.H.B. 2387
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Defense & Veterans' Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

A number of Texas military bases and installations have closed or downsized due to base realignment and closure actions by the federal government. Interested parties contend that such action has negatively impacted local and statewide economic development. In previous years, the legislature responded to these closures by creating defense base development authorities to stimulate redevelopment and to encourage businesses to locate to these sites. However, such parties note that there is ambiguity regarding the definition and taxable status of newly manufactured tangible property that is temporarily in the state, or of products in the finishing stages of manufacturing before shipment outside of the state. C.S.H.B. 2387 seeks to address this ambiguity and expand upon recently enacted legislation that provides limited authority for exempting tangible property relating to certain types of commercial aircraft that are temporarily in the state for finalization.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 2387 amends the Local Government Code to establish the presumption that a commercial product that is in the process of being manufactured, assembled, or produced inside a defense base development authority is interstate, international, or foreign commerce and not located in the state for longer than a temporary period for purposes of determining whether the commercial product is taxable under Tax Code provisions regulating the taxability of real and tangible personal property if the entity manufacturing, assembling, or producing the product is engaged in a business activity described by specified sectors of the 2012 North American Industry Classification System relating to manufacturing and the product is eligible under the guidelines and criteria governing tax abatement agreements established by the commissioners court of the county in which the authority is located. The bill establishes the same presumption for tangible personal property located inside a defense base development authority if the owner of the property demonstrates to the chief appraiser for the appraisal district in which the authority is located that the owner intends to incorporate the property into or attach the property to a commercial product that is under construction inside the authority.

EFFECTIVE DATE

January 1, 2014.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 2387 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and highlighted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

SECTION 1. Section 379B.011, Local Government Code, is amended by adding Subsections (c) and (d) to read as follows:

(c) A commercial product that is under construction inside the authority is presumed to be in interstate, international, or foreign commerce and not located in this state for longer than a temporary period for purposes of Sections 11.01 and 21.02, Tax Code.

(d) Tangible personal property located inside the authority is presumed to be in interstate, international, or foreign commerce and not located in this state for longer than a temporary period for purposes of Sections 11.01 and 21.02, Tax Code, if the owner demonstrates to the chief appraiser for the appraisal district in which the authority is located that the owner intends to incorporate the property into or attach the property to a commercial product described by Subsection (c).

SECTION 2. The change in law made by this Act applies only to ad valorem taxes imposed for a tax year beginning on or after the effective date of this Act.

SECTION 3. This Act takes effect January 1, 2014.

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Section 379B.011, Local Government Code, is amended by adding Subsections (c) and (d) to read as follows:

(c) A commercial product that is in the process of being manufactured, assembled, or produced inside the authority is presumed to be in interstate, international, or foreign commerce and not located in this state for longer than a temporary period for purposes of Sections 11.01 and 21.02, Tax Code, if:

- (1) the entity manufacturing, assembling, or producing the product is engaged in a business activity described by sectors 31 through 33 of the 2012 North American Industry Classification System (NAICS); and
- (2) the product is eligible under guidelines and criteria established by the commissioners court of the county in which the authority is located under Section 312.002, Tax Code.

(d) Tangible personal property located inside the authority is presumed to be in interstate, international, or foreign commerce and not located in this state for longer than a temporary period for purposes of Sections 11.01 and 21.02, Tax Code, if the owner demonstrates to the chief appraiser for the appraisal district in which the authority is located that the owner intends to incorporate the property into or attach the property to a commercial product described by Subsection (c).

SECTION 2. Same as introduced version.

SECTION 3. Same as introduced version.