

By: Harper-Brown

H.B. No. 3121

A BILL TO BE ENTITLED

1 AN ACT
2 relating to the qualifications for the exemption from ad valorem
3 taxation for certain tangible personal property located in this
4 state for a limited time.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Section 11.251, Tax Code, is amended by amending
7 Subsections (b), (c), (e), (g), and (k) and adding Subsection (l) to
8 read as follows:

9 (b) A person is entitled to an exemption from taxation by a
10 taxing unit of the appraised value of that portion of the person's
11 inventory or property consisting of freeport goods as determined
12 under this section for the taxing unit.

13 (c) The exemption provided by Subsection (b) is subtracted
14 from the market value of the inventory or property determined under
15 Section 23.12 to determine the taxable value of the inventory or
16 property for the taxing unit.

17 (e) In determining the market value of freeport goods that
18 in the preceding year were assembled, manufactured, repaired,
19 maintained, processed, or fabricated in this state or used by the
20 person who acquired or imported the property in the repair or
21 maintenance of aircraft operated by a certificated air carrier, the
22 chief appraiser shall exclude the cost of equipment, machinery, or
23 materials that entered into and became component parts of the
24 freeport goods but were not themselves freeport goods or that were

1 not transported outside the state before the expiration of 175
2 days, or the greater number of days adopted by the taxing unit as
3 authorized by Subsection (1), after they were brought into this
4 state by the property owner or acquired by the property owner in
5 this state. For component parts held in bulk, the chief appraiser
6 may use the average length of time a component part was held in this
7 state by the property owner during the preceding year in
8 determining whether the component parts were transported out of
9 this state before the expiration of 175 days, or the greater number
10 of days adopted by the taxing unit as authorized by Subsection (1).

11 (g) If the property owner or the chief appraiser
12 demonstrates that the method provided by Subsection (d)
13 significantly understates or overstates the market value of the
14 property qualified for an exemption under Subsection (b) in the
15 current year, the chief appraiser shall determine the market value
16 of the freeport goods to be exempt by determining, according to the
17 property owner's records and any other available information, the
18 market value of those freeport goods owned by the property owner on
19 January 1 of the current year, excluding the cost of equipment,
20 machinery, or materials that entered into and became component
21 parts of the freeport goods but were not themselves freeport goods
22 or that were not transported outside the state before the
23 expiration of 175 days, or the greater number of days adopted by the
24 taxing unit as authorized by Subsection (1), after they were
25 brought into this state by the property owner or acquired by the
26 property owner in this state.

27 (k) Property that meets the requirements of Article VIII,

1 Sections 1-j(a)(1) and (2), of the Texas Constitution and that is
2 transported outside of this state not later than 175 days, or the
3 greater number of days adopted by the taxing unit as authorized by
4 Subsection (1), after the date the person who owns it on January 1
5 acquired it or imported it into this state is freeport goods
6 regardless of whether the person who owns it on January 1 is the
7 person who transports it outside of this state.

8 (1) The governing body of a taxing unit, in the manner
9 provided by law for official action, may extend the date by which
10 freeport goods must be transported outside the state to a date not
11 later than the 730th day after the date the person acquired or
12 imported the property in this state. An extension adopted by
13 official action under this subsection applies only to the exemption
14 from ad valorem taxation by the taxing unit adopting the extension
15 and applies to:

16 (1) the tax year:

17 (A) in which the extension is adopted if
18 officially adopted before June 1 of a tax year; or

19 (B) immediately following the tax year in which
20 the extension is adopted if officially adopted on or after June 1 of
21 a tax year; and

22 (2) each tax year following the year of adoption of the
23 extension until rescinded by the governing body in the manner
24 provided by law for official action.

25 SECTION 2. Section 11.253(a)(2), Tax Code, is amended to
26 read as follows:

27 (2) "Goods-in-transit" means tangible personal

1 property that:

2 (A) is acquired in or imported into this state to
3 be forwarded to another location in this state or outside this
4 state;

5 (B) is stored under a contract of bailment by a
6 public warehouse operator at one or more public warehouse
7 facilities in this state that are not in any way owned or controlled
8 by the owner of the personal property for the account of the person
9 who acquired or imported the property;

10 (C) is transported to another location in this
11 state or outside this state not later than 175 days, or the greater
12 number of days adopted by a taxing unit as authorized by Subsection
13 (1), after the date the person acquired the property in or imported
14 the property into this state; and

15 (D) does not include oil, natural gas, petroleum
16 products, aircraft, dealer's motor vehicle inventory, dealer's
17 vessel and outboard motor inventory, dealer's heavy equipment
18 inventory, or retail manufactured housing inventory.

19 SECTION 3. Section 11.253, Tax Code, is amended by amending
20 Subsections (b), (c), (e), and (g) and adding Subsection (l) to read
21 as follows:

22 (b) A person is entitled to an exemption from taxation by a
23 taxing unit of the appraised value of that portion of the person's
24 property that consists of goods-in-transit as determined under this
25 section for the taxing unit.

26 (c) The exemption provided by Subsection (b) is subtracted
27 from the market value of the property determined under Section

1 23.01 or 23.12, as applicable, to determine the taxable value of the
2 property for the taxing unit.

3 (e) In determining the market value of goods-in-transit
4 that in the preceding year were stored in this state, the chief
5 appraiser shall exclude the cost of equipment, machinery, or
6 materials that entered into and became component parts of the
7 goods-in-transit but were not themselves goods-in-transit or that
8 were not transported to another location in this state or outside
9 this state before the expiration of 175 days, or the greater number
10 of days adopted by the taxing unit as authorized by Subsection (1),
11 after the date they were brought into this state by the property
12 owner or acquired by the property owner in this state. For
13 component parts held in bulk, the chief appraiser may use the
14 average length of time a component part was held by the owner of the
15 component parts during the preceding year at a location in this
16 state that was not owned by or under the control of the owner of the
17 component parts in determining whether the component parts were
18 transported to another location in this state or outside this state
19 before the expiration of 175 days, or the greater number of days
20 adopted by the taxing unit as authorized by Subsection (1).

21 (g) If the property owner or the chief appraiser
22 demonstrates that the method provided by Subsection (d)
23 significantly understates or overstates the market value of the
24 property qualified for an exemption under Subsection (b) in the
25 current year, the chief appraiser shall determine the market value
26 of the goods-in-transit to be exempt by determining, according to
27 the property owner's records and any other available information,

1 the market value of those goods-in-transit owned by the property
2 owner on January 1 of the current year, excluding the cost of
3 equipment, machinery, or materials that entered into and became
4 component parts of the goods-in-transit but were not themselves
5 goods-in-transit or that were not transported to another location
6 in this state or outside this state before the expiration of 175
7 days, or the greater number of days adopted by the taxing unit as
8 authorized by Subsection (1), after the date they were brought into
9 this state by the property owner or acquired by the property owner
10 in this state.

11 (1) The governing body of a taxing unit, in the manner
12 provided by law for official action, may extend the date by which
13 goods-in-transit must be transported outside the state to a date
14 not later than the 730th day after the date the person acquired the
15 property in or imported the property into this state. An extension
16 adopted by official action under this subsection applies only to
17 the exemption from ad valorem taxation by the taxing unit adopting
18 the extension and applies to:

19 (1) the tax year:

20 (A) in which the extension is adopted if
21 officially adopted before June 1 of a tax year; or

22 (B) immediately following the tax year in which
23 the extension is adopted if officially adopted on or after June 1 of
24 a tax year; and

25 (2) each tax year following the year of adoption of the
26 extension until rescinded by the governing body in the manner
27 provided by law for official action.

1 SECTION 4. This Act applies only to a tax year beginning on
2 or after the effective date of this Act.

3 SECTION 5. This Act takes effect January 1, 2014, but only
4 if the constitutional amendment proposed by the 83rd Legislature,
5 Regular Session, 2013, to authorize a political subdivision of this
6 state to extend the number of days that certain tangible personal
7 property that is exempt from ad valorem taxation due to its location
8 in this state for a temporary period may be located in this state
9 for purposes of qualifying for the tax exemption is approved by the
10 voters. If that amendment is not approved by the voters, this Act
11 has no effect.