

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 14, 2013

TO: Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB826 by Harless (Relating to the definitions of certain terms for purposes of the ad valorem taxation of certain dealer's heavy equipment inventory.), **As Introduced**

To the extent that heavy equipment that is currently appraised as special inventory is appraised as normal inventory under the bill, there would be a gain to the state through the operation of the school finance formulas because the special appraisal provisions of the Tax Code provide a lower appraised value.

This bill would amend Chapter 23 of the Tax Code, regarding property taxation, appraisal methods and procedures.

The bill would amend Section 23.1241, relating to the special appraisal of heavy equipment inventory, to specify that "business location" or "location at which the dealer conducts business" does not include a facility that is owned and controlled by a person who is not a dealer and is used to store or warehouse heavy equipment.

The definition of a heavy equipment dealer would be amended to mean a person whose primary business in Texas (rather than who is engaged in business in Texas) consists of selling, leasing, or renting heavy equipment. The revised definition also includes the requirement that the heavy equipment dealer operate a business location in Texas that is open to the public and at which the person holds inventory that is available for sale, lease or rent.

The bill would amend the definition of "dealer's heavy equipment inventory" to add a requirement that a dealer's inventory must be owned and held in the dealer's physical possession and be available for sale, lease or rent at the dealer's Texas business location.

To the extent that heavy equipment that is currently appraised as special inventory is appraised as normal inventory under the bill, there would be a gain to units of local government and to the state through the operation of the school finance formulas because the special appraisal provisions of the Tax Code provide a lower appraised value. Information is not available regarding the amount of heavy equipment inventory that would no longer qualify for special appraisal under the bill. Consequently the amount of gain cannot be estimated.

The bill would take effect on January 1, 2014.

Local Government Impact

To the extent that heavy equipment that is currently appraised as special inventory is appraised as normal inventory under the bill, there would be a gain to units of local government because the special appraisal provisions of the Tax Code provide a lower appraised value.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS