

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 18, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3121** by Harper-Brown (Relating to the qualifications for the exemption from ad valorem taxation for certain tangible personal property located in this state for a limited time.), **As Introduced**

Contingent upon passage of the companion constitutional amendment (HJR 133), passage of this bill would authorize the governing body of a political subdivision to extend by official action the number of days that certain personal property may remain at a particular defined location (currently 270 days) before losing eligibility for a goods in transit property tax exemption. This provision would create a cost to the state through the operation of the school finance formula to the extent that taxing units that exempt goods in transit property choose to extend the deadline.

The companion constitutional amendment (HJR 133) for the part of this bill that authorizes the governing body of certain political subdivisions to extend by official action the number of days that qualifying personal property may remain in this state (currently 175 days) before losing eligibility for a freeport property tax exemption is self-enabling. Consequently, the fiscal impact is shown in the fiscal note for HJR 133.

The bill would amend Section 11.251 of the Tax Code to authorize the governing body of certain political subdivisions to extend by official action the number of days that qualifying personal property may remain in this state (currently 175 days) before losing eligibility for a property tax exemption. This exemption is commonly referred to as a "freeport exemption". Many taxing units took action to tax this personal property under previous constitutional authority to do so, and the exemption does not apply in those districts. The maximum number of days that a governing body may permit property to remain in this state and remain eligible for a freeport exemption under the resolution is 730.

The bill would also amend Section 11.253 of the Tax Code, to authorize the governing body of a political subdivision to extend by official action the number of days that certain personal property may remain at a particular defined location (currently 270 days) before losing eligibility for a property tax exemption. This exemption is commonly referred to as a "goods in transit exemption". The exemption does not apply in a taxing unit that took action to tax the property. The maximum number of days that a governing body may permit property to remain at a particular location and remain eligible for a goods in transit exemption under the resolution is 730.

The companion constitutional amendment (part of HJR 133) for the part of this bill that authorizes the governing body of certain political subdivisions to extend by official action the number of

days that qualifying personal property may remain in this state (currently 175 days) before losing eligibility for a freeport property tax exemption is self-enabling. Consequently, the fiscal impact is shown in the fiscal note for HJR 133.

The companion constitutional amendment (part of HJR 133) for the part of this bill that authorizes the governing body of a political subdivision to extend by official action the number of days that certain personal property may remain at a particular defined location (currently 270 days) before losing eligibility for a goods in transit property tax exemption is not self-enabling. The bill's proposed grant of authority to taxing units to extend the deadline would create a cost to taxing units and to the state through the operation of the school finance formula to the extent that taxing units that exempt goods in transit property choose to extend the deadline. Insufficient information exists to determine the number of taxing units currently granting the goods in transit exemption or to what extent those taxing units would extend the deadline as permitted by the bill. Consequently, the cost cannot be estimated even on an example basis.

The bill would take effect on January 1, 2014, contingent on a constitutional amendment.

Local Government Impact

Contingent upon passage of the companion constitutional amendment (HJR 133), passage of this bill would authorize the governing body of a political subdivision to extend by official action the number of days that certain personal property may remain at a particular defined location (currently 270 days) before losing eligibility for a goods in transit property tax exemption. This provision would create a cost to local taxing units to the extent that taxing units that exempt goods in transit property choose to extend the deadline.

The companion constitutional amendment (HJR 133) for the part of this bill that authorizes the governing body of certain political subdivisions to extend by official action the number of days that qualifying personal property may remain in this state (currently 175 days) before losing eligibility for a freeport property tax exemption is self-enabling. Consequently, the fiscal impact is shown in the fiscal note for HJR 133.

Source Agencies: 304 Comptroller of Public Accounts

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