

BILL ANALYSIS

Senate Research Center
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S.B. 758
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Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.B. 758 grants businesses a property tax exemption for business personal property used in manufacturing that is also exempt from the sales tax under Section 151.318 (Property Used in Manufacturing) of the Tax Code.

Business personal property of all types is subject to a relatively heavy property tax burden in Texas. Texas is one of only seven states that subject business inventories to property taxation, and per the Tax Foundation, has one of the highest per capita business property tax burdens in the country.

S.B. 758 is meant to reduce this burden by exempting property used for manufacturing from the property tax. This property is already exempt from the state sales tax, and continuing to levy a property tax against it is unfair. Additionally, the exemption should be relatively easy to apply for and administer. Taxpayers will be able to claim their property tax exemption by presenting their sales tax exemption certificate at the appraisal district, or if they cannot present their certificate, they can file a statement that the property in question is exempt from the sales tax.

As proposed, S.B. 758 amends current law relating to the exemption from ad valorem taxation of certain tangible personal property used by the owner of the property to manufacture, process, or fabricate tangible personal property for ultimate sale.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter B, Chapter 11, Tax Code, by adding Section 11.36, as follows:

Sec. 11.36. PROPERTY USED IN MANUFACTURING. Entitles the owner of tangible personal property that is exempted from the sales and use tax under Section 151.318 (Property Used in Manufacturing) to an exemption from ad valorem taxation of the appraised value of the property if the property is used by the owner to manufacture, process, or fabricate tangible personal property for ultimate sale.

SECTION 2. Amends Section 11.43, Tax Code, by adding Subsection (q), as follows:

(q) Requires that the application form for an exemption authorized by Section 11.36 require an applicant to submit with the application:

(1) a copy of the issued exemption certificate claiming the exemption under Section 151.318 of the property described in the application; or

(2) if the applicant is unable to obtain a copy of the exemption certificate described by Subdivision (1), a statement that the property described in the application is exempted from the sales and use tax under Section 151.318.

SECTION 3. Makes application of this Act prospective.

SECTION 4. Effective date: January 1, 2016, contingent upon passage of the constitutional amendment proposed by the 84th Legislature, Regular Session, 2015, authorizing the legislature to exempt from ad valorem taxation by one or more political subdivisions tangible personal property used by the owner of the property to manufacture, process, or fabricate tangible personal property for ultimate sale.