

By: Workman

H.B. No. 3776

A BILL TO BE ENTITLED

AN ACT

relating to the phasing out by 2025 of the ad valorem taxation by a school district of the tangible personal property a person owns that consists of inventory.

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

SECTION 1. Subchapter B, Chapter 11, Tax Code, is amended by adding Section 11.35 to read as follows:

Sec. 11.35. INVENTORY. (a) A person is entitled to an exemption from taxation by a school district of the tangible personal property the person owns that consists of inventory.

(b) This subsection expires January 1, 2025. Subsection (a) applies to the taxation by a school district of tangible personal property that consists of inventory only for the 2025 and subsequent tax years. The taxation by a school district of tangible personal property that consists of inventory for the 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, and 2024 tax years is governed by this subsection. A person is entitled to an exemption from taxation by a school district of the following percentages of the appraised value of that portion of the tangible personal property the person owns that consists of inventory for which the person is not otherwise entitled to an exemption from taxation:

(1) for the 2016 tax year, 10 percent of the appraised value of the inventory;

(2) for the 2017 tax year, 20 percent of the appraised

value of the inventory;

(3) for the 2018 tax year, 30 percent of the appraised value of the inventory;

(4) for the 2019 tax year, 40 percent of the appraised value of the inventory;

(5) for the 2020 tax year, 50 percent of the appraised value of the inventory;

(6) for the 2021 tax year, 60 percent of the appraised value of the inventory;

(7) for the 2022 tax year, 70 percent of the appraised value of the inventory;

(8) for the 2023 tax year, 80 percent of the appraised value of the inventory; and

(9) for the 2024 tax year, 90 percent of the appraised value of the inventory.

SECTION 2. Subchapter E, Chapter 42, Education Code, is amended by adding Section 42.2512 to read as follows:

Sec. 42.2512. ADDITIONAL STATE AID FOR EXEMPTION OF INVENTORY. (a) Notwithstanding Section 42.2516 or any other provision of this chapter, a school district is entitled to additional state aid to the extent that state aid under this chapter based on the determination of the school district's taxable value of property as provided under Subchapter M, Chapter 403, Government Code, does not fully compensate the district for ad valorem tax revenue lost due to the exemption for inventory under Section 11.35, Tax Code.

(b) The commissioner, using information provided by the

1 comptroller, shall compute the amount of additional state aid to
2 which a district is entitled under Subsection (a). A determination
3 by the commissioner under this section is final and may not be
4 appealed.

5 (c) Notwithstanding any other provision of this chapter, in
6 computing state aid for the 2016-2017 school year, the taxable
7 value of property in a school district shall be determined under
8 Subchapter M, Chapter 403, Government Code, as if the exemption for
9 inventory under Section 11.35, Tax Code, had been in effect for the
10 2015 tax year. This subsection expires September 1, 2017.

11 SECTION 3. This Act applies only to ad valorem taxes imposed
12 for a tax year that begins on or after the effective date of this
13 Act.

14 SECTION 4. This Act takes effect January 1, 2016, but only
15 if the constitutional amendment proposed by the 84th Legislature,
16 Regular Session, 2015, authorizing the legislature to phase out by
17 2025 the ad valorem taxation by a school district of the tangible
18 personal property a person owns that consists of inventory is
19 approved by the voters. If that amendment is not approved by the
20 voters, this Act has no effect.