

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**April 20, 2015**

**TO:** Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** **HB2117** by King, Tracy O. (relating to the definition of "heavy equipment" for purposes of the ad valorem taxation of certain dealer 's heavy equipment inventory.), **Committee Report 1st House, Substituted**

**The bill would amend appraisal methods to modify the definition of "heavy equipment" to exclude a natural gas compressor package or unit. Any items of heavy equipment which would be excluded under the bill from the special inventory heavy equipment market determination would generally have a higher market value, creating an indeterminate gain to the state through the operation of the school funding formula.**

The bill would amend Section 23.1241 of the Tax Code, regarding appraisal methods and procedures and dealer's heavy equipment inventory, to modify the definition of "heavy equipment" to exclude a natural gas compressor package or unit.

Generally, the market value of heavy equipment special inventory is significantly lower than the inventory market determination under Section 23.12 of the Tax Code under which the market value of heavy equipment excluded from special inventory is determined. Any items of heavy equipment which would be excluded under the bill from the special inventory heavy equipment market determination would generally have a higher market value, creating an indeterminate gain to taxing units and to the state through the operation of the school funding formula.

The bill would take effect January 1, 2016.

**Local Government Impact**

The bill would amend appraisal methods to modify the definition of "heavy equipment" to exclude a natural gas compressor package or unit. Any items of heavy equipment which would be excluded under the bill from the special inventory heavy equipment market determination would generally have a higher market value, creating an indeterminate gain to local taxing units.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** UP, KK, SD, SJS