

By: Workman

H.B. No. 734

A BILL TO BE ENTITLED

1 AN ACT  
2 relating to the phasing out by 2027 of the ad valorem taxation by a  
3 school district of the tangible personal property a person owns  
4 that consists of inventory.

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

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

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

11 (b) This subsection expires January 1, 2027. Subsection (a)  
12 applies to the taxation by a school district of tangible personal  
13 property that consists of inventory only for the 2027 and  
14 subsequent tax years. The taxation by a school district of tangible  
15 personal property that consists of inventory for the 2018, 2019,  
16 2020, 2021, 2022, 2023, 2024, 2025, and 2026 tax years is governed  
17 by this subsection. A person is entitled to an exemption from  
18 taxation by a school district of the following percentages of the  
19 appraised value of that portion of the tangible personal property  
20 the person owns that consists of inventory for which the person is  
21 not otherwise entitled to an exemption from taxation:

22 (1) for the 2018 tax year, 10 percent of the appraised  
23 value of the inventory;

24 (2) for the 2019 tax year, 20 percent of the appraised

1 value of the inventory;

2 (3) for the 2020 tax year, 30 percent of the appraised  
3 value of the inventory;

4 (4) for the 2021 tax year, 40 percent of the appraised  
5 value of the inventory;

6 (5) for the 2022 tax year, 50 percent of the appraised  
7 value of the inventory;

8 (6) for the 2023 tax year, 60 percent of the appraised  
9 value of the inventory;

10 (7) for the 2024 tax year, 70 percent of the appraised  
11 value of the inventory;

12 (8) for the 2025 tax year, 80 percent of the appraised  
13 value of the inventory; and

14 (9) for the 2026 tax year, 90 percent of the appraised  
15 value of the inventory.

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

18 Sec. 42.2512. ADDITIONAL STATE AID FOR EXEMPTION OF  
19 INVENTORY. (a) Notwithstanding Section 42.2516 or any other  
20 provision of this chapter, a school district is entitled to  
21 additional state aid to the extent that state aid under this chapter  
22 based on the determination of the school district's taxable value  
23 of property as provided under Subchapter M, Chapter 403, Government  
24 Code, does not fully compensate the district for ad valorem tax  
25 revenue lost due to the exemption for inventory under Section  
26 11.35, Tax Code.

27 (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 2018-2019 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 2017 tax year. This subsection expires September 1, 2019.

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, 2018, but only  
15 if the constitutional amendment proposed by the 85th Legislature,  
16 Regular Session, 2017, authorizing the legislature to phase out by  
17 2027 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.