

BILL ANALYSIS

Senate Research Center
86R2694 TJB-D

S.J.R. 43
By: Bettencourt et al.
Property Tax
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In 1989, Texas voters approved a constitutional amendment giving local property tax jurisdictions the optional authority to exempt from taxation specific personal property exported from Texas (aka, freeport exemption/freeport goods). Freeport goods are specific types of tangible business personal property inventory that must also meet the following criteria to qualify as exempt from taxation:

1. are or will be forwarded out of Texas within 175 days of the date acquired or brought into Texas; and
2. are in Texas for assembling, storing, manufacturing, repair, maintenance, processing or fabricating purposes.

Oil, natural gas, and other petroleum products were excluded from eligibility of the exemption and remain taxable.

Interested parties are concerned the timeframe for which the associated tangible property is allowed to be present in Texas prior to export—175 days—is too brief to realize the full potential positive economic impacts of the freeport tax exemption. Since most other states either do not tax business personal property or tax it at less than full value, without the freeport exemption or an extended timeframe to qualify for an exemption, Texas is at an economic competitive disadvantage.

S.J.R. 43 is the associated resolution to amend Article 8, Section 1-j, of the Texas Constitution to authorize extending the timeframe for which tangible property is allowed to be present in Texas prior to export, from the current 175 days to 365 days, in order to qualify for an exemption.

S.J.R. 43 proposes a constitutional amendment to extend the number of days that certain tangible personal property that is exempt from ad valorem taxation due to its location in this state for a temporary period may be located in this state for the purpose of qualifying for the tax exemption.

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 Section 1-j(a), Article VIII, Texas Constitution, as follows:

- (a) Specifies that certain property is exempt from ad valorem taxation by a political subdivision of this state if the property is transported outside of this state not later than 365 days, rather than 175 days, after the date the person acquired or imported the property in this state.

SECTION 2. Amends the Texas Constitution to add a temporary provision, as follows:

TEMPORARY PROVISION. (a) Provides that this temporary provision applies to the constitutional amendment proposed by the 86th Legislature, Regular Session, 2019, to extend the number of days that certain tangible personal property that is exempt from ad valorem taxation due to its location in this state for a temporary period is authorized to be located in this state for the purpose of qualifying for the tax exemption.

(b) Makes application of the amendment to Section 1-j, Article VIII, of this constitution, prospective to a tax year that begins on or after January 1, 2020.

(c) Provides that this temporary provision expires January 1, 2021.

SECTION 3. Requires that the proposed constitutional amendment be submitted to the voters at an election to be held November 5, 2019. Sets forth the required language of the ballot.