

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 13, 2019

TO: Honorable Paul Bettencourt, Chair, Senate Committee on Property Tax

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: SB58 by Zaffirini (relating to the exemption from ad valorem taxation of leased motor vehicles that are not held primarily for the production of income by the lessee.),
Committee Report 1st House, Substituted

Passage of the bill would increase the number of leased motor vehicles that qualify for a property tax exemption. As a result, taxable property values could be reduced and the related costs to the Foundation School Fund could be increased through the operation of the school finance formulas.

The bill would amend Chapter 11 of the Tax Code, regarding property tax exemptions, to specify that a leased motor vehicle is presumed to be used primarily for activities that do not involve the production of income if:

- the motor vehicle is leased to this state or a political subdivision of this state; or
- the motor vehicle is leased to an organization that is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c)(3) of that code; and would be exempt from taxation if the vehicle were owned by the organization.

These would be alternatives to the condition in current law that 50 percent or more of the miles the motor vehicle is driven in a year are for non-income producing purposes. If one or more of these alternatives are met, and the lessee does not hold the vehicle for the production of income, the leased motor vehicle would be eligible for the property tax exemption for certain leased motor vehicles in current law.

The bill would require certain conforming modifications to the application form that the Comptroller is required to provide.

The bill would create a cost to local taxing units and to the state by increasing the number of leased motor vehicles that qualify for a property tax exemption. The number and value of leased motor vehicles that would qualify under the expanded eligibility conditions provided by the bill and that are not currently exempt are unknown; consequently, the cost of the bill cannot be estimated.

The bill would take effect September 1, 2019.

Local Government Impact

Passage of the bill would increase the number of leased motor vehicles that qualify for a property tax exemption. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be reduced.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: WP, KK, SD, SJS