

By: Murphy

H.B. No. 4495

A BILL TO BE ENTITLED

AN ACT

relating to the allocation for ad valorem tax purposes of the value of vessels and other watercraft used outside this state.

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

SECTION 1. Sections [21.021\(a\)](#) and (b), Tax Code, are amended to read as follows:

(a) A vessel or other watercraft used as an instrumentality of commerce, ~~[as defined by [in] Section [21.031](#), [[21.031\(b\)](#) of this code]~~ is taxable pursuant to Section [21.02](#) ~~[of this code]~~.

(b) A special-purpose vessel or other watercraft not used as an instrumentality of commerce, ~~[as defined by [in] Section [21.031](#), [[21.031\(b\)](#) of this code]~~ is deemed to be located on January 1 for more than a temporary period for purposes of Section [21.02](#) ~~[of this code]~~ in the taxing unit in which it was physically located during the year preceding the tax year. If the vessel or watercraft was physically located in more than one taxing unit during the year preceding the tax year, it is deemed to be located for more than a temporary period for purposes of Section [21.02](#) ~~[of this code]~~ in the taxing unit in which it was physically located for the longest period during the year preceding the tax year or for 30 days, whichever is longer. If a vessel or other watercraft is not deemed to be located in any taxing unit on January 1 for more than a temporary period pursuant to this subsection, the property is taxable as provided by Subdivisions (2) through (4) of Section

1 21.02 [~~of this code~~].

2 SECTION 2. Section 21.031, Tax Code, is amended by amending  
3 Subsection (b) and adding Subsections (b-1), (b-2), (b-3), and (i)  
4 to read as follows:

5 (b) The appraisal office shall make the allocation as  
6 provided by Subsections (b-1), (b-2), and (b-3).

7 (b-1) Except as provided by Subsection (b-2), the [~~follows:~~

8 [(1) ~~The~~] allocable portion of the total fair market  
9 value of a vessel or other watercraft used as an instrumentality of  
10 commerce that is taxable in this state is determined by multiplying  
11 the total fair market value by a fraction, the numerator of which is  
12 the number of miles the vessel or watercraft was operated in this  
13 state during the year preceding the tax year and the denominator of  
14 which is the total number of miles the vessel or watercraft was  
15 operated during the year preceding the tax year. [~~For purposes of~~  
16 ~~this section, "vessel or other watercraft used as an~~  
17 ~~instrumentality of commerce" means a vessel or other watercraft~~  
18 ~~that is primarily employed in the transportation of cargo,~~  
19 ~~passengers, or equipment, and that is economically employed when it~~  
20 ~~is moving from point to point as a means of transportation.]~~

21 (b-2) This subsection applies only to a property owner that  
22 operates a fleet of vessels or other watercraft used as  
23 instrumentalities of commerce and that elects in writing submitted  
24 to the appraisal office to have the appraisal office make the  
25 allocation under this subsection. The allocable portion of the  
26 total fair market value of a vessel or other watercraft used as an  
27 instrumentality of commerce that is taxable in this state is

1 determined by multiplying the total fair market value of all  
2 vessels or other watercraft of the property owner's fleet that are  
3 taxable in this state by a fraction, the numerator of which is the  
4 number of miles that all the vessels or watercraft of the fleet  
5 operated in this state during the year preceding the tax year and  
6 the denominator of which is the total number of miles that all the  
7 vessels or watercraft of the fleet were operated during the year  
8 preceding the tax year.

9 (b-3) [(2)] The allocable portion of the total fair market  
10 value of a special-purpose vessel or other watercraft not used as an  
11 instrumentality of commerce is determined by multiplying the total  
12 fair market value by a fraction, the numerator of which is the  
13 number of days the vessel or watercraft was physically located in  
14 this state during the year preceding the tax year and the  
15 denominator of which is 365. [~~For purposes of this section,~~  
16 ~~"special-purpose vessel or other watercraft not used as an~~  
17 ~~instrumentality of commerce" means a vessel or other watercraft~~  
18 ~~that:~~

19 [~~(A) is designed to be transient and customarily~~  
20 ~~is moved from location to location on a more or less regular basis,~~

21 [~~(B) is economically employed when operated in a~~  
22 ~~localized area or in a fixed place, and~~

23 [~~(C) is not primarily employed to transport cargo,~~  
24 ~~passengers, and equipment but rather to perform some specialized~~  
25 ~~function or operation not requiring constant movement from point to~~  
26 ~~point.]~~

27 (i) For purposes of this section:

1           (1) "Special-purpose vessel or other watercraft not  
2 used as an instrumentality of commerce" means a vessel or other  
3 watercraft that:

4           (A) is designed to be transient and customarily  
5 is moved from location to location on a more or less regular basis;

6           (B) is economically employed when operated in a  
7 localized area or in a fixed place; and

8           (C) is not primarily employed to transport cargo,  
9 passengers, and equipment but rather to perform some specialized  
10 function or operation not requiring constant movement from point to  
11 point.

12           (2) "Vessel or other watercraft used as an  
13 instrumentality of commerce" means a vessel or other watercraft  
14 that is primarily employed in the transportation of cargo,  
15 passengers, or equipment, and that is economically employed when it  
16 is moving from point to point as a means of transportation.

17           SECTION 3. The change in law made by this Act applies only  
18 to the allocation of the value of vessels and other watercraft for  
19 ad valorem tax purposes beginning on or after the effective date of  
20 this Act.

21           SECTION 4. This Act takes effect January 1, 2022.