

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 6, 2021

TO: Honorable Morgan Meyer, Chair, House Committee on Ways & Means

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB1315 by Lucio (Relating to the determination that certain property is used as an aid or facility incidental to or useful in the operation or development of a port or waterway or in aid of navigation-related commerce for purposes of the application of certain ad valorem tax laws.), **As Engrossed**

Passage of the bill would exempt property used as an aid or facility incidental to or useful in the operation or development of a port or waterway or in aid of navigation-related commerce for the purposes of a leasehold or other possessory interest in from ad valorem taxation. 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 25 of the Tax Code, regarding local appraisal, to define property used as an aid or facility incidental to or useful in the operation or development of a port or waterway or in aid of navigation-related commerce for the purposes of a leasehold or other possessory interest in as exempt property that could not be listed in the appraisal records as taxable property.

Under current law, leaseholds and other possessory interests in exempt property are taxable and must be listed in the appraisal records in the name of the owner of the possessory interest if the duration of the interest is at least one year. A leasehold or other possessory interest in exempt property used as an aid or facility incidental to or useful in the operation or development of a port or waterway or in aid of navigation-related commerce is exempt under Tax Code 25.07 (b)(6)(B); however those activities are not defined in statute. There could be an indeterminate cost to local taxing units and to the state through operation of the school funding formulas to the extent that local taxing units currently levy a property tax on leaseholds and possessory interests in property used in the activities as defined by the bill. Insufficient information is available about the extent of this practice and standards in determining qualification as navigation-related commerce vary across the state. As a result, the cost cannot be estimated.

Local Government Impact

Passage of the bill would exempt property used as an aid or facility incidental to or useful in the operation or development of a port or waterway or in aid of navigation-related commerce for the purposes of a leasehold or other possessory interest in from ad valorem taxation. 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: JMc, KK, AF, SD, BRI