

BILL ANALYSIS

S.B. 1439
By: Springer
Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

In the 87th Legislative Session, the Texas Legislature raised the taxable value threshold below which business personal property is eligible for a property tax refund to \$2,500. This has spurred businesses to open multiple LLCs under one physical business in order to take advantage of multiple \$2,500 personal exemptions. This practice exploits the original legislation, which intended for each physical business to only get one \$2,500 tax exemption. S.B. 1439 seeks to close this loophole by requiring businesses to tie their personal property to a physical address for purposes of claiming an exemption from property taxation on tangible personal property held or used for the production of income by related business entities.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

S.B. 1439 amends the Tax Code to revise the provisions providing a person an exemption from taxation of income-producing tangible personal property valued at less than \$2,500 in the following manner:

- specifies that, if the person is a related business entity, all property in a taxing unit that is owned by the person is aggregated with eligible property that is owned by each other related business enterprise that composes the same unified business enterprise to determine taxable value for the entity; and
- authorizes a chief appraiser to investigate a business entity to determine whether the entity is a related business entity and has aggregated tangible personal property in that manner.

The bill defines "related business entity" as a business entity that engages in a common business enterprise with at least one other business entity and that owns tangible personal property that is held or used for the production of income as part of the common business enterprise and is located at the same physical address that tangible personal property owned by at least one other business entity engaged in the common business enterprise is located. The bill defines "unified business enterprise" as a common business enterprise composed of more than one related business entity.

S.B. 1439 requires a rendition statement regarding the income-producing tangible personal property of a related business entity to contain the information required with respect to the property a person owns or manages and controls as a fiduciary or with respect to property which,

in the owner's opinion, has an aggregate value of less than \$20,000, as applicable, stated for each related business entity that composes the unified business enterprise of which the related business entity that is the subject of the rendition is a part. The bill changes certain of the information that must be contained in such rendition statements, regardless of whether the statements relate to a related business entity, from the property's physical location or taxable situs to the property's physical address or taxable situs. The bill requires each rendition and report form prescribed by the comptroller of public accounts to include a box that a related business entity property owner must check to identify the owner as a related business entity.

S.B. 1439 applies only to a property tax year that begins on or after the bill's effective date.

EFFECTIVE DATE

January 1, 2024.