

BILL ANALYSIS

Senate Research Center
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S.B. 1439
By: Springer
Local Government
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In the last legislative session, the Texas Legislature raised the tax exemption limit for business personal property and mineral interests 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 will close this loophole by requiring businesses to tie their personal property to a physical address lest they be subject to a de minimis presumption of \$10,000.

As proposed, S.B. 1439 amends current law relating to the ad valorem taxation of tangible personal property held or used for the production of income by related business entities.

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 11.145, Tax Code, as follows:

Sec. 11.145. INCOME-PRODUCING TANGIBLE PERSONAL PROPERTY HAVING VALUE OF LESS THAN \$2,500. (a) Defines "related business entity" and "unified business enterprise."

(b) Provides that subject to Subsection (d), a person is entitled to an exemption from taxation of the tangible personal property the person owns that is held or used for the production of income if that property has a taxable value of less than \$2,500.

(c) Makes nonsubstantive changes to this subsection.

(d) Provides that all property described by Subsection (b) in a taxing unit that is owned by a person, for the purpose of that subsection, is:

(1) makes nonsubstantive changes to this subdivision; and

(2) if the person is a related business entity, aggregated with the property described by that subsection in the taxing unit that is owned by each other related business enterprise that composes the same unified business enterprise to determine taxable value for the entity.

Makes nonsubstantive changes.

(e) Authorizes a chief appraiser to investigate a business entity to determine whether the entity:

(1) is a related business entity; and

(2) has aggregated tangible personal property as provided by Subsection (d)(2).

SECTION 2. Amends Section 22.01, Tax Code, by amending Subsections (a), (c-1), and (f) and adding Subsection (n), as follows:

(a) Requires that a rendition statement contain:

(1)-(3) makes no changes to these subdivisions;

(4) the physical address, rather than physical location, or taxable situs of the property; and

(5) makes no changes to this subdivision.

(c-1) Defines "related business entity" and "unified business enterprise" and makes nonsubstantive changes.

(f) Requires that a rendition statement of a person who owns tangible personal property used for the production of income located in the appraisal district that, in the owner's opinion, has an aggregate value of less than \$20,000, notwithstanding Subsections (a) and (b) (relating to requiring a person to render certain property when required by the chief appraiser), contain only:

(1)-(2) makes no changes to these subdivisions; and

(3) makes a conforming change to this subdivision.

(n) Requires that a rendition statement of a related business entity contain the information required by Subsection (a) or (f), 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.

SECTION 3. Amends Section 22.24(c), Tax Code, as follows:

(c) Requires that each form include a box that a property owner that is a related business entity, as defined by Section 11.145 (Income-Producing Tangible Personal Property Having Value of Less Than \$2,500), is required to check to identify the owner as a related business entity.

SECTION 4. Provides that the changes in law made by this Act apply only to an ad valorem tax year that begins on or after the effective date of this Act.

SECTION 5. Effective date: January 1, 2024.