

BILL ANALYSIS

Senate Research Center

S.B. 2289
By: Huffman
Finance
6/13/2023
Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Some assert that the current tax structure on medical and biomedical manufacturing inventories discourages capital investment and expansion. Because of this, most of the medical and biomedical manufacturing is located abroad.

With the approval of Texas voters, this bill would exempt from ad valorem taxation tangible personal property that is used or produced by medical and biomedical manufacturers, such as medical devices, pharmaceuticals, and PPE.

S.B. 2289 amends current law relating to the exemption from ad valorem taxation of equipment or inventory held by a manufacturer of medical or biomedical products to protect the Texas healthcare network and strengthen our medical supply chain.

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 Subchapter B, Chapter 11, Tax Code, by adding Section 11.36, as follows:

Sec. 11.36. MEDICAL OR BIOMEDICAL PROPERTY. (a) Defines "medical or biomedical property" and "medical or biomedical manufacturing facility."

(b) Provides that a person is entitled to an exemption from taxation of medical or biomedical property the person owns or leases that is located in a medical or biomedical manufacturing facility that the person owns or leases.

(c) Prohibits the governing body of a taxing unit from providing for taxation of medical or biomedical property exempted under this section, notwithstanding Section 11.14(c) (relating to authorizing the governing body of a taxing unit to provide for taxation of certain exempted tangible personal property).

SECTION 2. Amends Section 11.42(d), Tax Code, as follows:

(d) Authorizes a person who acquires property after January 1 of a tax year to receive an exemption authorized by certain sections, including Section 11.36, for the applicable portion of that tax year immediately on qualification for the exemption.

SECTION 3. Amends Section 11.43(c), Tax Code, as follows:

(c) Provides that an exemption provided by certain sections, including Section 11.36, once allowed, need not be claimed in subsequent years, and except as otherwise provided by Subsection (e) (relating to prohibiting a person from receiving an exemption for that year if a person required to apply for an exemption in a given year fails to file timely a completed application form), the exemption applies to the property until it changes ownership or the person's qualification for the exemption changes.

SECTION 4. Makes application of this Act prospective.

SECTION 5. Effective date: January 1, 2024, contingent upon approval by the voters of the constitutional amendment proposed by the 88th Legislature, Regular Session, 2023, to authorize the legislature to exempt from ad valorem taxation equipment or inventory held by a manufacturer of medical or biomedical products to protect the Texas healthcare network and strengthen our medical supply chain.