

BILL ANALYSIS

Senate Research Center
89R23783 CJC-F

H.B. 3424
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Local Government
5/18/2025
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The bill author has informed the committee that the current property tax compliance process for heavy equipment rentals is administratively burdensome for dealers in Texas and is in need of updating. H.B. 3424 seeks to modernize compliance and allow for an improved and more streamlined process by providing for quarterly filing of a heavy equipment dealer's tax materials and by revising the requisite contents of a dealer's heavy equipment inventory tax statement form.

H.B. 3424 amends current law relating to the ad valorem taxation of certain dealer's heavy equipment inventory.

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 23.1242, Tax Code, by amending Subsections (b), (e), (f), (g), and (k), and adding Subsections (b-1) and (f-1), as follows:

(b) Requires an owner of certain items of heavy equipment, on or before the 20th day of the month following each calendar quarter, rather than the 20th day of each month, together with the statement filed by the owner as required by Section 23.1242 (Prepayment of Taxes by Heavy Equipment Dealers), to deposit with the collector an amount equal to the total of unit property tax assigned to all items of heavy equipment sold, leased, or rented from the dealer's heavy equipment inventory in the preceding calendar quarter, rather than the preceding month, to which a unit property tax was assigned.

(b-1) Requires a collector, not later than December 15 of each year, to provide written notice to each owner for whom the collector maintains an escrow account under Subsection (c) (relating to requiring the collector to maintain an escrow account for each owner in the county depository) of the unit property tax factor for the following tax year for each location in which the owner's heavy equipment inventory is located.

(e) Authorizes the dealer's quarterly, rather than monthly, heavy equipment inventory tax statement form to include the information the Comptroller of Public Accounts of the State of Texas (comptroller) considers appropriate but requires that it include at least the following:

(1) makes no changes to this subdivision;

(2) the aggregate amount received by the dealer attributable to the sales price of or lease or rental payments received for the items of heavy equipment described by Subdivision (1) (relating to providing a description of each item of heavy equipment sold, leased, or rented including any unique identification or serial

number affixed to the item by the manufacturer in the statement described by this section); and

(3) the total amount of unit property tax assigned by the dealer to the items of heavy equipment described by Subdivision (1).

Deletes existing text authorizing the statement to include the information the comptroller considers appropriate but requiring that it include the sales price of or lease or rental payment received for the item of heavy equipment, as applicable, the unit property tax of the item of heavy equipment, if any, and the reason no unit property tax is assigned if no unit property tax is assigned. Makes conforming and nonsubstantive changes.

(f) Requires a dealer, on or before the 20th day of the month following each calendar quarter, to file with the collector the statement completed by the dealer covering the sale, lease, or rental of each item of heavy equipment sold, leased, or rented by the dealer in the preceding calendar quarter. Makes conforming and nonsubstantive changes.

(f-1) Creates this subsection from existing text. Requires a dealer to retain complete and accurate records documenting, rather than file a copy of the statement with the chief appraiser and retain documentation relating to, the disposition of each item of heavy equipment sold, leased, or rented by the dealer for at least four years from the date of disposition of the item, rather than each item of heavy equipment sold and the lease or rental of each item of heavy equipment. Makes nonsubstantive changes.

(g) Makes a conforming change to this subsection.

(k) Authorizes a person who acquires the business or assets of the owner to use the same unit property tax factor that the owner who owes the current year tax would use when paying the current year tax.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: January 1, 2026.