

## **BILL ANALYSIS**

C.S.H.B. 3424  
By: Capriglione  
Ways & Means  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

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 in need of updating. C.S.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.

### **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**

C.S.H.B. 3424 amends the Tax Code to revise provisions governing the prepayment of the property taxes imposed on certain dealers' heavy equipment inventory as follows:

- changes from monthly to quarterly the frequency with which an owner is required to prepay their taxes with the tax collector, a dealer is required to complete a dealer's heavy equipment inventory tax statement form, and a dealer is required to file with a tax collector the statement completed by the dealer covering the sale, lease, or rental of each item of heavy equipment sold, leased, or rented, or indicating no such transaction, by the dealer in the preceding applicable period;
- revises the required content of a dealer's heavy equipment inventory tax statement as follows:
  - changes from the sales price of or lease or rental payment received for the item of heavy equipment, as applicable, to 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;
  - changes from the unit property tax of the item of heavy equipment, if any, to the total amount of unit property tax assigned by the dealer to the items of heavy equipment; and
  - removes from required inclusion the reason no unit property tax is assigned if no unit property tax is assigned;
- replaces the requirement for a dealer to file a copy of that statement with the chief appraiser and retain documentation relating to the disposition of each item of heavy equipment sold and the lease or rental of each item of heavy equipment with a requirement for the dealer to retain complete and accurate records documenting 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;

- requires the tax collector, not later than December 15 of each year, to provide written notice to each owner for whom the collector maintains an escrow account of the unit property tax factor for the following tax year for each location in which the owner's heavy equipment inventory is located; and
- authorizes a person who acquires the business or assets of an owner and agrees to pay the current year heavy equipment inventory taxes owed by 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.

C.S.H.B. 3424 applies only to property taxes imposed for a property tax year that begins on or after the bill's effective date.

### **EFFECTIVE DATE**

January 1, 2026.

### **COMPARISON OF INTRODUCED AND SUBSTITUTE**

While C.S.H.B. 3424 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

While both the introduced and the substitute revise provisions governing the prepayment of the property taxes imposed on certain dealers' heavy equipment inventory, the introduced included the following provisions absent from the substitute:

- a prohibition against the owner of an item of heavy equipment that is leased or rented to the United States or to an agency or instrumentality of the United States from collecting the unit property tax from the lessee or renter and from including the amount of the unit property tax assigned as a separate line item on an invoice provided to the lessee or renter;
- with respect to the required content of a dealer's heavy equipment inventory tax statement, a provision that changed an aspect of such content from 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 to a summary of all items of heavy equipment sold, leased, or rented by the dealer during the period covered by the statement;
- the requirement for the comptroller of public accounts to prescribe by rule the period for which a dealer is required to retain such records of disposition; and
- the requirement for the tax collector to collect delinquent taxes regardless of whether the collector is otherwise obligated by law or contract to collect the delinquent taxes.

While both the introduced and the substitute change from monthly to quarterly the frequency with which a dealer is required to file with a tax collector a statement completed by the dealer, the introduced required the statement to summarize the sale, lease, or rental of all items of heavy equipment sold, leased, or rented by the dealer in the preceding applicable period, whereas the substitute retains the requirement under current law for the statement to cover the sale, lease, or rental of each such item for the preceding applicable period.

Both the substitute and the introduced replace the requirement for a dealer to file a copy of the dealer's heavy equipment inventory tax statement with the chief appraiser and retain documentation relating to the disposition of each item of heavy equipment sold and the lease or rental of each item of heavy equipment with a requirement for the dealer to retain complete and accurate records documenting the disposition of items of heavy equipment sold, leased, or rented. However, the substitute specifies that the dealer must retain such records for at least four years from the date of disposition of the item, whereas the introduced did not make such a specification.