

BILL ANALYSIS

S.B. 1352
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Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Under current law, the penalty for filing a late interstate allocation or freeport exemption application is equal to 10 percent of the difference between the tax imposed without the allocation or exemption and the tax imposed with the allocation or exemption. However, the bill sponsor has informed the committee that this calculation can result in absurdly high and unjust penalties and the bill sponsor has informed the committee of a late allocation application that resulted in approximately a \$20,000 tax liability and \$1 million penalty. The bill sponsor has further informed the committee that these applications are often filed late because the automatic May 15 extension to file a personal property return, which is granted upon request, does not apply to the allocation or exemption application forms associated with the property account that receives the extension and that taxpayers must submit a separate request and show good cause to receive such an extension. S.B. 1352 seeks to address this issue by capping the penalty imposed on late interstate allocation or freeport exemption applications at 10 percent of the tax imposed. Furthermore, the bill provides an automatic extension to May 15 for filing an interstate allocation or freeport exemption allocation if the taxpayer timely requests the May 15 extension to file the personal property return.

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

Application for Freeport Goods Exemption

S.B. 1352 amends the Tax Code to require a chief appraiser that extends the deadline for a property owner to file a rendition statement or property report to May 15, to also extend the deadline for the property owner to file an application for a property tax exemption for freeport goods to May 15. The bill authorizes the chief appraiser, for good cause shown, to further extend the deadline for filing the exemption application by written order for a single period not to exceed 60 days from the filing deadline prescribed under state law of May 1. The bill revises provisions relating to the penalty for which a property owner who files a late application for a freeport exemption is liable to each taxing unit if the late application is approved as follows:

- clarifies that the taxing unit to which the property owner is liable is each taxing unit allowing the exemption;
- authorizes the amount of the penalty to be equal to 10 percent of the amount of tax imposed by the taxing unit on the inventory or property, a portion of which consists of

freeport goods, as an alternative to an amount equal to 10 percent of the difference between the amount of tax imposed by the taxing unit on the inventory or property, a portion of which consists of freeport goods, and the amount that would otherwise have been imposed; and

- specifies that the liability to each taxing unit is an amount equal to the lesser of either such amounts.

These provisions apply only to an application for an exemption for freeport goods filed on or after the bill's effective date.

Application for Allocation

S.B. 1352 requires a chief appraiser that extends the deadline for a property owner to file a rendition statement or property report to May 15 to also extend the deadline for the property owner to file an allocation application form to May 15. The bill requires the chief appraiser, for good cause shown, to further extend the deadline for filing the allocation application form by written order for a period not to exceed 30 days from the May 1 filing deadline as prescribed under state law.

S.B. 1352 revises the provisions relating to the penalty for which a property owner who files a late application for allocation is liable to each taxing unit if the late application is approved by authorizing the amount of the penalty to be 10 percent of the amount of tax imposed by the taxing unit on the property with the allocation as an alternative to an amount equal to 10 percent of the difference between the amount of tax imposed by the taxing unit on the property without the allocation and the amount of tax imposed on the property with the allocation. The bill specifies that the liability to each taxing unit is an amount equal to the lesser of either such amounts. These provisions apply only to an application for an allocation filed on or after the bill's effective date.

EFFECTIVE DATE

September 1, 2025.