

AN ACT

relating to the ad valorem taxation of certain dealer's heavy equipment inventory.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 23.1242, Tax Code, is amended by amending Subsections (b), (e), (f), (g), and (k) and adding Subsections (b-1) and (f-1) to read as follows:

(b) Except for an item of heavy equipment sold to a dealer, an item of heavy equipment included in a fleet transaction, an item of heavy equipment that is the subject of a subsequent sale, or an item of heavy equipment that is subject to a lease or rental, an owner or a person who has agreed by contract to pay the owner's current year property taxes levied against the owner's heavy equipment inventory shall assign a unit property tax to each item of heavy equipment sold from a dealer's heavy equipment inventory. In the case of a lease or rental, the owner shall assign a unit property tax to each item of heavy equipment leased or rented. The unit property tax of each item of heavy equipment is determined by multiplying the sales price of the item or the monthly lease or rental payment received for the item, as applicable, by the unit property tax factor. If the transaction is a lease or rental, the owner shall collect the unit property tax from the lessee or renter at the time the lessee or renter submits payment for the lease or rental. The owner of the equipment shall state the amount of the

1 unit property tax assigned as a separate line item on an invoice.
 2 On or before the 20th day of the month following each calendar
 3 quarter [~~month~~] the owner shall, together with the statement filed
 4 by the owner as required by this section, deposit with the collector
 5 an amount equal to the total of unit property tax assigned to all
 6 items of heavy equipment sold, leased, or rented from the dealer's
 7 heavy equipment inventory in the preceding calendar quarter [~~month~~]
 8 to which a unit property tax was assigned. The money shall be
 9 deposited by the collector to the credit of the owner's escrow
 10 account for prepayment of property taxes as provided by this
 11 section. An escrow account required by this section is used to pay
 12 property taxes levied against the dealer's heavy equipment
 13 inventory, and the owner shall fund the escrow account as provided
 14 by this subsection.

15 (b-1) Not later than December 15 of each year, the collector
 16 shall provide written notice to each owner for whom the collector
 17 maintains an escrow account under Subsection (c) of the unit
 18 property tax factor for the following tax year for each location in
 19 which the owner's heavy equipment inventory is located.

20 (e) The comptroller by rule shall adopt a dealer's heavy
 21 equipment inventory tax statement form. Each calendar quarter
 22 [~~month~~], a dealer shall complete the form regardless of whether an
 23 item of heavy equipment is sold, leased, or rented. A dealer may
 24 use no other form for that purpose. The statement may include the
 25 information the comptroller considers appropriate but shall
 26 include at least the following:

27 (1) a description of each item of heavy equipment

1 sold, leased, or rented including any unique identification or
2 serial number affixed to the item by the manufacturer;

3 (2) the aggregate amount received by the dealer
4 attributable to the sales price of or lease or rental payments
5 ~~[payment]~~ received for the items ~~[item]~~ of heavy equipment
6 described by Subdivision (1) ~~[, as applicable]; and~~

7 (3) the total amount of unit property tax assigned by
8 the dealer to the items ~~[of the item]~~ of heavy equipment described
9 by Subdivision (1) ~~[, if any; and~~

10 ~~[(4) the reason no unit property tax is assigned if no~~
11 ~~unit property tax is assigned].~~

12 (f) On or before the 20th day of the month following each
13 calendar quarter ~~[month]~~, a dealer shall file with the collector
14 the statement completed by the dealer covering the sale, lease, or
15 rental of each item of heavy equipment sold, leased, or rented by
16 the dealer in the preceding calendar quarter ~~[month]~~. On or before
17 the 20th day of the ~~[a]~~ month following a calendar quarter ~~[month]~~
18 in which a dealer does not sell, lease, or rent an item of heavy
19 equipment, the dealer must file the statement with the collector
20 and indicate that no sales, leases, or rentals were made in the
21 preceding calendar quarter ~~[prior month]~~.

22 (f-1) A dealer shall ~~[file a copy of the statement with the~~
23 ~~chief appraiser and]~~ retain complete and accurate records
24 documenting ~~[documentation relating to]~~ the disposition of each
25 item of heavy equipment sold, leased, or rented by the dealer for at
26 least four years from the date of disposition of the item ~~[and the~~
27 ~~lease or rental of each item of heavy equipment]~~. A chief appraiser

or collector may examine records ~~[documents]~~ held by a dealer as required ~~[provided]~~ by this subsection in the same manner, and subject to the same conditions, as provided by Section 23.1241(g).

(g) Except as provided by this subsection, Subsection (f) applies to any dealer, regardless of whether a dealer owes heavy equipment inventory tax for the current year. A dealer who owes no heavy equipment inventory tax for the current year because the dealer was not in business on January 1:

(1) shall file the statement required by this section showing the information required by this section for each calendar quarter ~~[month]~~ that the dealer is in business; and

(2) may not assign a unit property tax to an item of heavy equipment sold by the dealer or remit money with the statement except in compliance with the terms of a contract as provided by Subsection (k).

(k) A person who acquires the business or assets of an owner may, by contract, agree to pay the current year heavy equipment inventory taxes owed by the owner. The person who acquires the business or assets of the owner may use the same unit property tax factor that the owner who owes the current year tax would use when paying the current year tax. The owner who owes the current year tax and the person who acquires the business or assets of the owner shall jointly notify the chief appraiser and the collector of the terms of the agreement and of the fact that the other person has agreed to pay the current year heavy equipment inventory taxes owed by the dealer. The chief appraiser and the collector shall adjust their records accordingly. Notwithstanding Section 23.1241, a

1 person who agrees to pay current year heavy equipment inventory
2 taxes as provided by this subsection is not required to file a
3 declaration until the year following the acquisition. This
4 subsection does not relieve the selling owner of the tax liability.

5 SECTION 2. This Act applies only to ad valorem taxes imposed
6 for an ad valorem tax year that begins on or after the effective
7 date of this Act.

8 SECTION 3. This Act takes effect January 1, 2026.

H.B. No. 3424

President of the Senate

Speaker of the House

I certify that H.B. No. 3424 was passed by the House on May 15, 2025, by the following vote: Yeas 141, Nays 1, 2 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 3424 was passed by the Senate on May 23, 2025, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

APPROVED: _____

Date

Governor