

By: Bettencourt, Parker

S.B. No. 32

A BILL TO BE ENTITLED

AN ACT

relating to an exemption from ad valorem taxation of a portion of the appraised value of tangible personal property that is held or used for the production of income and a franchise tax credit for the payment of certain related ad valorem taxes.

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

ARTICLE 1. INCOME-PRODUCING TANGIBLE PERSONAL PROPERTY AD VALOREM  
TAX EXEMPTION

SECTION 1.01. Section 11.145, Tax Code, is amended to read as follows:

Sec. 11.145. INCOME-PRODUCING TANGIBLE PERSONAL PROPERTY [~~HAVING VALUE OF LESS THAN \$2,500~~]. (a) In this section:

(1) "Inventory" has the meaning assigned by Section 171.701.

(2) "Related business entity" means a business entity that:

(A) engages in a common business enterprise with at least one other business entity; and

(B) owns tangible personal property that:

(i) is held or used for the production of income as part of the common business enterprise; and

(ii) is located at the same physical address that tangible personal property owned by at least one other business entity engaged in the common business enterprise is

1 located.

2 (3) "Unified business enterprise" means a common  
3 business enterprise composed of more than one related business  
4 entity.

5 (b) Subject to Subsection (f) and except as provided by  
6 Subsection (d), a [A] person is entitled to an exemption from  
7 taxation by a taxing unit of \$25,000 of the appraised value of the  
8 tangible personal property the person owns that is held or used for  
9 the production of income and has taxable situs at the same location  
10 in the taxing unit [~~if that property has a taxable value of less~~  
11 ~~than \$2,500~~].

12 (c) [~~(b)~~] The exemption provided by Subsection (b) [~~(a)~~]  
13 applies to each separate location in a taxing unit in which a person  
14 holds or uses tangible personal property for the production of  
15 income, and, for the purposes of Subsection (b) [~~(a)~~], all property  
16 that has taxable situs in each separate location in the taxing unit  
17 is aggregated to determine taxable value.

18 (d) A person who leases tangible personal property is  
19 entitled to an exemption from taxation by a taxing unit of \$25,000  
20 of the total appraised value of all the tangible personal property  
21 the person owns that is held or used for the production of income  
22 and is subject to a lease, regardless of where the property is  
23 located in the taxing unit.

24 (e) The exemption provided by Subsection (d) applies to each  
25 separate taxing unit in which a person holds or uses tangible  
26 personal property for the production of income.

27 (f) For the purposes of Subsection (b), if a person is a

1 related business entity, all property described by that subsection  
2 that has taxable situs at the same location in a taxing unit and  
3 that is owned by the person is aggregated with the property  
4 described by that subsection that has taxable situs at the same  
5 location in the taxing unit and that is owned by each other related  
6 business entity that composes the same unified business enterprise  
7 to determine taxable value for the entity.

8 (g) A chief appraiser may investigate a business entity to  
9 determine whether the entity:

10 (1) is a related business entity; and  
11 (2) has aggregated tangible personal property as  
12 provided by Subsection (f).

13 (h) When calculating an exemption to which the person is  
14 entitled under this section, a taxing unit shall apply the amount of  
15 the exemption to tangible personal property other than inventory  
16 that the person owns and is held or used for the production of  
17 income before applying the exemption to inventory owned by the  
18 person.

19 SECTION 1.02. Section 22.01, Tax Code, is amended by  
20 amending Subsection (c-1) and adding Subsections (j-1), (j-2),  
21 (j-3), and (n) to read as follows:

22 (c-1) In this section:

23 (1) "Related business entity" and "unified business  
24 enterprise" have the meanings assigned by Section 11.145.

25 (2) "Secured party" has the meaning assigned by  
26 Section 9.102, Business & Commerce Code.

27 (3) [~~(2)~~] "Security interest" has the meaning

assigned by Section 1.201, Business & Commerce Code.

(j-1) Notwithstanding Subsections (a) and (b), a person is required to render tangible personal property the person owns that is held or used for the production of income only if, in the person's opinion and as applicable:

(1) the aggregate market value of the property that has taxable situs in the same location in at least one taxing unit that participates in the appraisal district is greater than the amount exempted under Section 11.145(b); or

(2) the aggregate market value of the property in at least one taxing unit that participates in the appraisal district is greater than the amount exempted under Section 11.145(d).

(j-2) A person required to render property for taxation under Subsection (j-1) must render all tangible personal property the person owns that is held or used for the production of income and has taxable situs in the appraisal district. This subsection does not apply to property exempt from taxation under a provision of law other than Section 11.145.

(j-3) A person who elects not to render property for taxation as authorized by Subsection (j-1) must file a rendition statement or property report that includes a certification that the person reasonably believes that the value of the property is not more than the amount exempted under Section 11.145(b) or (d), as applicable. The election takes effect beginning with the tax year following the tax year in which the rendition statement or property report is filed and continues in effect until the ownership of the person changes. Notwithstanding Subsection (j-1), a person

1 described by that subsection must render property for taxation if  
2 required by the chief appraiser.

3 (n) A rendition statement of a related business entity must  
4 contain the information required by Subsection (a) or (f), as  
5 applicable, stated for each related business entity that composes  
6 the unified business enterprise of which the related business  
7 entity that is the subject of the rendition is a part.

8 SECTION 1.03. Section 22.24(c), Tax Code, is amended to  
9 read as follows:

10 (c) The comptroller may prescribe or approve different  
11 forms for different kinds of property but shall ensure that each  
12 form requires a property owner to furnish the information necessary  
13 to identify the property and to determine its ownership,  
14 taxability, and situs. Each form must include a box that the  
15 property owner may check to permit the property owner to affirm that  
16 the information contained in the most recent rendition statement  
17 filed by the property owner in a prior tax year is accurate with  
18 respect to the current tax year in accordance with Section  
19 22.01(1). Each form must include a box that a property owner that is  
20 a related business entity, as defined by Section 11.145, must check  
21 to identify the owner as a related business entity. Each form must  
22 include a box that a property owner who elects not to render the  
23 property for taxation as authorized by Section 22.01(j-1) must  
24 check to certify that the owner reasonably believes that the value  
25 of the property is not more than the amount exempted under Section  
26 11.145(b) or (d), as applicable. A form may not require but may  
27 permit a property owner to furnish information not specifically

required by this chapter to be reported. In addition, a form prescribed or approved under this subsection must contain the following statement in bold type: "If you make a false statement on this form, you could be found guilty of a Class A misdemeanor or a state jail felony under Section 37.10, Penal Code."

SECTION 1.04. Chapter 25, Tax Code, is amended by adding Section 25.14 to read as follows:

Sec. 25.14. INVENTORY AND TANGIBLE PERSONAL PROPERTY. (a)  
In this section, "inventory" means:

(1) a finished good held for sale, resale, lease, or rental;

(2) a raw or finished material held to be incorporated into or attached to tangible personal property to create a finished good; or

(3) a material or supply, including fuel or a spare part, being held for future use.

(b) For purposes of this section, the term "inventory" does not include:

(1) a dealer's motor vehicle inventory, as defined by Section 23.121;

(2) a dealer's vessel and outboard motor inventory, as defined by Section 23.124;

(3) a dealer's heavy equipment inventory, as defined by Section 23.1241; or

(4) retail manufactured housing inventory, as defined by Section 23.127.

(c) Except as provided by Subsection (d), a person's

1 inventory shall be listed separately from any other tangible  
2 personal property the person holds or uses for the production of  
3 income.

4 (d) This section does not apply to tangible personal  
5 property for which a person is required to file a rendition  
6 statement under Section 22.01(j-3) but that the person is not  
7 required to render for taxation under any other provision of that  
8 section.

9 SECTION 1.05. Section 31.01, Tax Code, is amended by  
10 amending Subsection (c) and adding Subsection (c-3) to read as  
11 follows:

12 (c) The tax bill or a separate statement accompanying the  
13 tax bill shall:

- 14 (1) identify the property subject to the tax;
- 15 (2) state the appraised value, assessed value, and  
16 taxable value of the property;
- 17 (3) if the property is land appraised as provided by  
18 Subchapter C, D, E, or H, Chapter 23, state the market value and the  
19 taxable value for purposes of deferred or additional taxation as  
20 provided by Section 23.46, 23.55, 23.76, or 23.9807, as applicable;
- 21 (4) state the assessment ratio for the taxing unit;
- 22 (5) state the type and amount of any partial exemption  
23 applicable to the property, indicating whether it applies to  
24 appraised or assessed value;
- 25 (6) state the total tax rate for the taxing unit;
- 26 (7) state the amount of tax due, the due date, and the  
27 delinquency date;

1           (8) explain the payment option and discounts provided  
2 by Sections 31.03 and 31.05, if available to the taxing unit's  
3 taxpayers, and state the date on which each of the discount periods  
4 provided by Section 31.05 concludes, if the discounts are  
5 available;

6           (9) state the rates of penalty and interest imposed  
7 for delinquent payment of the tax;

8           (10) include the name and telephone number of the  
9 assessor for the taxing unit and, if different, of the collector for  
10 the taxing unit;

11           (11) for real property, state for the current tax year  
12 and each of the preceding five tax years:

13                   (A) the appraised value and taxable value of the  
14 property;

15                   (B) the total tax rate for the taxing unit;

16                   (C) the amount of taxes imposed on the property  
17 by the taxing unit; and

18                   (D) the difference, expressed as a percent  
19 increase or decrease, as applicable, in the amount of taxes imposed  
20 on the property by the taxing unit compared to the amount imposed  
21 for the preceding tax year; ~~and~~

22           (12) for real property, state the differences,  
23 expressed as a percent increase or decrease, as applicable, in the  
24 following for the current tax year as compared to the fifth tax year  
25 before that tax year:

26                   (A) the appraised value and taxable value of the  
27 property;



(B) the total tax rate for the taxing unit; and

(C) the amount of taxes imposed on the property  
by the taxing unit; and

(13) for tangible personal property, state separately  
the amount of taxes imposed on a person's inventory from the amount  
of taxes imposed on any other tangible personal property the person  
held or used for the production of income.

(c-3) For purposes of Subsection (c), "inventory" has the  
meaning assigned by Section 25.14.

SECTION 1.06. This article applies only to ad valorem taxes  
imposed for a tax year that begins on or after the effective date of  
this article.

SECTION 1.07. This article takes effect January 1, 2026,  
but only if the constitutional amendment proposed by the 89th  
Legislature, Regular Session, 2025, to authorize the legislature to  
exempt from ad valorem taxation a portion of the market value of  
tangible personal property a person owns that is held or used for  
the production of income is approved by the voters. If that  
amendment is not approved by the voters, this article has no effect.

ARTICLE 2. FRANCHISE TAX CREDIT FOR INVENTORY AD VALOREM TAX  
LIABILITY

SECTION 2.01. Chapter 171, Tax Code, is amended by adding  
Subchapter N to read as follows:

SUBCHAPTER N. TAX CREDIT FOR INVENTORY TAX LIABILITY

Sec. 171.701. DEFINITION. (a) In this subchapter,  
"inventory" means:

(1) a finished good held for sale, resale, lease, or

rental, including:

(A) a dealer's vessel and outboard motor inventory, as defined by Section 23.124;

(B) a dealer's heavy equipment inventory, as defined by Section 23.1241; or

(C) retail manufactured housing inventory, as defined by Section 23.127;

(2) a raw or finished material held to be incorporated into or attached to tangible personal property to create a finished good; or

(3) a material or supply, including fuel or a spare part, being held for future use.

(b) Notwithstanding Subsection (a) and for purposes of this subchapter, the term "inventory" does not include a dealer's motor vehicle inventory, as defined by Section 23.121.

Sec. 171.702. ELIGIBILITY FOR CREDIT. A taxable entity is entitled to apply for a credit against the tax imposed under this chapter in the amount and under the conditions provided by this subchapter.

Sec. 171.703. AMOUNT OF CREDIT; LIMITATIONS. (a) Subject to Subsections (b) and (c), the amount of a taxable entity's credit for a report is equal to the lesser of:

(1) the total franchise tax due for the report after applying all other applicable credits; or

(2) 20 percent of the aggregate amount of ad valorem taxes imposed by each taxing unit during the ad valorem tax year preceding the year in which the report is originally due on property

1 owned by the taxable entity that were derived from the taxable value  
2 of inventory owned by the taxable entity and located in this state.

3 (b) The total amount of credits that may be awarded under  
4 this subchapter for all reports originally due in a year may not  
5 exceed \$700 million.

6 (c) The comptroller by rule shall prescribe procedures by  
7 which the comptroller will allocate credits under this subchapter.  
8 The procedures must provide that if the total amount of credits for  
9 which taxable entities apply under Subsection (a) exceeds the limit  
10 under Subsection (b) for a calendar year, the comptroller shall:

11 (1) for each taxable entity that applied for the  
12 credit, reduce the amount under Subsection (a)(2) to a pro rata  
13 share of \$700 million based on the amount of ad valorem taxes  
14 described by Subsection (a)(2) imposed on property of the taxable  
15 entity and on property of all taxable entities that applied for the  
16 credit;

17 (2) after making the reductions under Subdivision (1),  
18 determine the amount by which each taxable entity's pro rata share  
19 under Subdivision (1) exceeds the amount provided by Subsection  
20 (a)(1) for the taxable entity, if any, and the sum of those amounts  
21 for all taxable entities; and

22 (3) allocate the sum determined under Subdivision (2)  
23 to other taxable entities that applied for the credit on a pro rata  
24 basis to partly or wholly restore the amount reduced under  
25 Subdivision (1).

26 (d) For purposes of Subsection (a)(2), the aggregate amount  
27 of ad valorem taxes imposed on property owned by the taxable entity

that were derived from the taxable value of inventory does not include, and a taxable entity is not entitled to a credit for any taxes imposed on, the taxable value of any inventory for which the taxable entity was exempt from taxation under Section 11.145.

(e) For purposes of calculating the amount of the credit under this subchapter in connection with the 2025 ad valorem tax year, a taxable entity may make a good faith estimate of the portion of the ad valorem taxes imposed on the taxable entity's property that were derived from inventory owned by the taxable entity and located in this state. For purposes of this subsection, "good faith" means honesty in fact and intention and requires the absence of an intent to mislead or deceive. This subsection expires January 1, 2028.

Sec. 171.704. APPLICATION FOR CREDIT. (a) A taxable entity must apply for the credit under this subchapter on or with the originally filed report for the period for which the credit is claimed.

(b) The comptroller shall prescribe the form and method for applying for a credit under this subchapter. A taxable entity must use the form in applying for the credit and submit the form electronically with the report for the period for which the credit is claimed.

(c) The comptroller may require the taxable entity to include any other information the comptroller determines is necessary to demonstrate:

- (1) whether the entity is eligible for the credit; and
- (2) the amount of the credit.

1        (d) The burden of establishing eligibility for and the  
2 amount of the credit is on the taxable entity.

3        (e) The comptroller may request permission to examine the  
4 books and records of a taxable entity as necessary to determine  
5 whether the entity is entitled to a credit under this subchapter and  
6 the amount of the credit. The comptroller may disallow the credit  
7 if the taxable entity refuses to allow the comptroller to examine  
8 the books and records.

9        Sec. 171.705. ADMINISTRATION OF CREDIT; REFUND. (a) The  
10 comptroller may require a taxable entity that applies for a credit  
11 under this subchapter to submit with the report a payment for all or  
12 part of the taxes to which the credit applies. As soon as  
13 practicable after determining the amount of the credit under  
14 Section 171.703, the comptroller shall issue a warrant for any  
15 portion of the credit for which payment was made.

16        (b) The amount of a warrant issued by the comptroller under  
17 Subsection (a) does not accrue interest under Section [111.064](#).

18        Sec. 171.706. SALE, ASSIGNMENT, OR CARRYFORWARD  
19 PROHIBITED. A taxable entity that receives a credit under this  
20 subchapter may not sell, assign, or carry forward any part of the  
21 credit.

22        Sec. 171.707. RULES. The comptroller shall adopt rules as  
23 necessary to implement and administer this subchapter.

24        SECTION 2.02. Subchapter N, Chapter [171](#), Tax Code, as added  
25 by this article, applies only to a report originally due on or after  
26 the effective date of this article.

27        SECTION 2.03. This article takes effect January 1, 2026.