

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 7, 2025

TO: Honorable Paul Bettencourt, Chair, Senate Committee on Local Government

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB9 by Meyer (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.), **Committee Report 2nd House, Substituted**

Passage of the bill would exempt \$125,000 of the appraised value of tangible personal property a person owns that is held for the production of income. Contingent on adoption of a constitutional amendment, taxable property values would be reduced and the related costs to the Foundation School Fund would be increased through the operation of the school finance formulas. It is unclear how the provisions of the bill would affect certain property owned by a company that is deployed at property that is owned by a customer or vendor or in a public right of way, therefore the cost cannot be determined.

Contingent on the passage of HJR 1, the bill would amend Chapter 11 of the Tax Code to exempt \$125,000 of the appraised value of tangible personal property a person owns that is held for the production of income. This would replace the current exemption of less than \$2,500 in taxable value. The exemption would apply to each location in a taxing unit where the property owner holds or uses tangible personal property for the production of income and all property that has taxable situs within a taxing unit is aggregated to determine taxable value. The exemption would apply to a property owner who leases tangible personal property, regardless of where the property is located in the taxing unit. The bill would provide definitions for “related business entity” and “unified business enterprise.” The chief appraiser would have the right to investigate whether an entity is a related business entity and has eligible aggregated tangible personal property.

The bill would require a person 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, the aggregate market value of the property having taxable situs in the same location in at least one taxing unit that participates in the appraisal district is greater than the exempted amount. The bill would provide rendition requirements related to the tangible personal property that has taxable situs in an appraisal district, the duration of certain rendition choices and renditions a chief appraiser can require.

The bill would provide a tax exemption by a taxing unit in the amount of \$125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit, creating a fiscal impact to the state through the operation of the school finance formulas. Under provisions of the Education Code, the school district tax revenue loss is partially transferred to the state. It is unclear how the provisions of the bill would affect certain property owned by a company that is deployed at property that is owned by a customer or vendor or in a public right of way, therefore the cost cannot be determined.

Local Government Impact

Contingent upon passage of a constitutional amendment authorizing the property tax exemption, the bill would provide property owners with an exemption of \$125,000 in tangible personal property that is held for the production of income which would reduce taxable value. However, the no-new-revenue and voter-approval tax rates as provided by Section 26.04, Tax Code would be higher as a consequence of the reduced taxable property

value proposed by the bill. If cities, counties, and special districts did not adopt higher rates, local levies would be reduced. If those jurisdictions adopted higher tax rates, the initial revenue loss from the exemption would be offset by increased tax levies from owners of non-exempt property and slightly reduced tax savings from owners of exempt property.

The fiscal impact to school districts is shown in the table above.

Source Agencies: 304 Comptroller of Public Accounts
LBB Staff: JMc, SZ, KK, BRI, SD