# SENATE AMENDMENTS

**2nd Printing**

By: Meyer, Bonnen, Hickland, Martinez Fischer, Bernal, et al. H.B. No. 9

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 a person owns that is held or used for the production of income.

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

ARTICLE 1. PROVISIONS CONTINGENT ON CONSTITUTIONAL AMENDMENT

SECTION 1.01. The heading to 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~~].

SECTION 1.02. Section 11.145(a), Tax Code, is amended to read as follows:

(a) A person is entitled to an exemption from taxation of <u>$250,000 of</u> the <u>appraised value of</u> tangible personal property the person owns that is held or used for the production of income [~~if that property has a taxable value of less than $2,500~~].

SECTION 1.03. Section 22.01, Tax Code, is amended by adding Subsection (j-1) to read as follows:

<u>(j-1) 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, 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(a). A person required to render property for</u>

taxation under this subsection 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.

SECTION 1.04. The changes in law made by this article apply only to an ad valorem tax year that begins on or after January 1, 2025.

ARTICLE 2. PROVISIONS NOT CONTINGENT ON CONSTITUTIONAL AMENDMENT

SECTION 2.01. Section 26.01, Tax Code, is amended by adding Subsections (a-2) and (a-3) to read as follows:

(a-2) This subsection applies only to the appraisal roll for a taxing unit for the 2025 tax year. When the chief appraiser delivers the appraisal roll to the assessor for the taxing unit, the chief appraiser shall include a provisional appraisal roll to account for the changes in law attributable to 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, as if those changes were in effect. If the chief appraiser delivers a supplemental appraisal roll or correction to the appraisal roll to the assessor for the taxing unit before that constitutional amendment takes effect, the chief appraiser shall include provisional appraisal roll entries to account for the changes in law attributable to that constitutional amendment. If that constitutional amendment takes effect:

(1) on the date that constitutional amendment takes effect, the provisional appraisal roll, as supplemented and corrected, becomes the appraisal roll for the taxing unit; and

(2) as soon as practicable after that date, the chief appraiser shall correct the taxing unit's appraisal roll as necessary to finally account for the changes in law attributable to that constitutional amendment.

(a-3) This subsection and Subsection (a-2) expire December 31, 2026.

SECTION 2.02. Section 26.04, Tax Code, is amended by adding Subsections (a-1) and (c-1) to read as follows:

(a-1) On receipt of the appraisal roll for the 2025 tax year, the assessor for a taxing unit shall determine the total taxable value of property taxable by the taxing unit and the taxable value of new property as if the changes in law attributable to 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 were in effect for that tax year. This subsection expires December 31, 2026.

(c-1) An officer or employee designated by the governing body of a taxing unit shall calculate the no-new-revenue tax rate and the voter-approval tax rate of the taxing unit for the 2025 tax year as if the changes in law attributable to 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 were in effect for that tax year. This subsection expires December 31, 2026.

SECTION 2.03. Chapter 26, Tax Code, is amended by adding Section 26.0401 to read as follows:

Sec. 26.0401. CALCULATION OF CERTAIN TAX RATES FOR 2025 TAX YEAR. (a) For the purposes of calculating the no-new-revenue tax rate, the voter-approval tax rate, and any related tax rate for the 2025 tax year, a taxing unit that calculates those rates under a provision of law other than Section 26.04 or 26.08 shall calculate those rates as if the changes in law attributable to 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 were in effect for that tax year.

(b) This section expires December 31, 2026.

SECTION 2.04. Section 26.08, Tax Code, is amended by adding Subsection (q) to read as follows:

(q) For purposes of this section, the voter-approval tax rate of a school district for the 2025 tax year shall be calculated as if the changes in law attributable to 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 were in effect for that tax year. This subsection expires December 31, 2026.

SECTION 2.05. Section 26.09, Tax Code, is amended by adding Subsection (c-1) to read as follows:

(c-1) The assessor for a taxing unit shall calculate the amount of tax imposed by the taxing unit on the tangible personal property a person owns that is held or used for the production of income for the 2025 tax year as if the changes in law attributable to 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 were in effect for that tax year and also as if the changes in law attributable to that constitutional amendment were not in effect for that tax year. This subsection expires December 31, 2026.

SECTION 2.06. Section 26.15, Tax Code, is amended by adding Subsection (h) to read as follows:

(h) The assessor for a taxing unit shall correct the tax roll for the taxing unit for the 2025 tax year to reflect the results of the election to approve 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. This subsection expires December 31, 2026.

SECTION 2.07. Section 31.01, Tax Code, is amended by adding

Subsections (d-2), (d-3), (d-4), and (d-5) to read as follows:

(d-2) This subsection and Subsections (d-3) and (d-4) apply only to taxes imposed by a taxing unit on the tangible personal property a person owns that is held or used for the production of income for the 2025 tax year and only if the changes in law attributable to 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 would lower the taxes imposed by the taxing unit on the property for that tax year. The assessor for the taxing unit shall compute the amount of taxes imposed and the other information required by this section as if the changes in law attributable to that constitutional amendment were in effect for that tax year. The tax bill or the separate statement must indicate that the bill is a provisional tax bill and include a statement in substantially the following form:

"If the Texas Legislature had not enacted property tax relief legislation during the 2025 legislative session, your tax bill would have been $____ (insert amount of tax bill if the changes in law attributable to 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 were not in effect for that tax year). Because of action by the Texas Legislature, your tax bill has been lowered by $____ (insert difference between amount of tax bill if the changes in law attributable to that constitutional amendment were not in effect for that tax year and amount of tax bill if the changes in law attributable to that constitutional amendment were in effect for that tax year), resulting in a lower tax bill of $____ (insert amount of tax bill if the changes in law attributable to that constitutional amendment were in effect for that tax year), contingent on the approval by the voters at an election to be held November 4, 2025, of 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. If that constitutional amendment is not approved by the voters at the election, a supplemental tax bill in the amount of $____ (insert difference between amount of tax bill if the changes in law attributable to that constitutional amendment were not in effect for that tax year and amount of tax bill if the changes in law attributable to that constitutional amendment were in effect for that tax year) will be mailed to you."

(d-3) A tax bill prepared by the assessor for a taxing unit as provided by Subsection (d-2) and mailed as provided by Subsection (a) is considered to be a provisional tax bill until the canvass of the votes on 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. If that constitutional amendment is approved by the voters, the tax bill is considered to be a final tax bill for the taxes imposed on the property for the 2025 tax year, and no additional tax bill is required to be mailed unless another provision of this title requires the mailing of a corrected tax bill. If that constitutional amendment is not approved by the voters:

(1) a tax bill prepared by the assessor as provided by Subsection (d-2) is considered to be a final tax bill but only as to the portion of the taxes imposed on the property for the 2025 tax year that is included in the bill;

(2) the amount of taxes imposed by each taxing unit on the tangible personal property a person owns that is held or used for the production of income for the 2025 tax year is calculated as if the changes in law attributable to that constitutional amendment were not in effect for that tax year; and

(3) except as provided by Subsections (f), (i-1), and (k), the assessor for each taxing unit shall prepare and mail a supplemental tax bill, by December 1 or as soon thereafter as practicable, in an amount equal to the difference between the amount of the tax bill if the changes in law attributable to that constitutional amendment were not in effect for that tax year and the amount of the tax bill if the changes in law attributable to that constitutional amendment were in effect for that tax year.

(d-4) Except as otherwise provided by Subsection (d-3), the provisions of this section other than Subsection (d-2) apply to a supplemental tax bill mailed under Subsection (d-3).

(d-5) This subsection and Subsections (d-2), (d-3), and (d-4) expire December 31, 2026.

SECTION 2.08. Section 31.02, Tax Code, is amended by adding Subsection (a-1) to read as follows:

(a-1) Except as provided by Subsection (b) of this section and Sections 31.03 and 31.04, taxes for which a supplemental tax bill is mailed under Section 31.01(d-3) are due on receipt of the tax bill and are delinquent if not paid before March 1 of the year following the year in which imposed. This subsection expires December 31, 2026.

ARTICLE 3. EFFECTIVE DATES

SECTION 3.01. Except as otherwise provided by this article:

(1) this Act takes effect immediately if this Act receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution; and

(2) if this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2025.

SECTION 3.02. Article 1 of this Act takes effect on the date on which 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 takes effect. If that amendment is not approved by the voters, Article 1 of this Act has no effect.

ADOPTED

MAY 14 2025

Patsy Spaw
Secretary of the Senate

By: Paul Bettencourt H.B. No. 9

Subst~~itute~~ the following for H.B. No. 9:

By: Paul Bettencourt C.S.H.B. No. 9

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.

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

SECTION 1. 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) "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 located.

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

(b) Subject to Subsection (f) and except as provided by

Subsection (d), a [~~A~~] person is entitled to an exemption from taxation by a taxing unit 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 [~~if that property has a taxable value of less than $2,500~~].

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

(d) A person who leases tangible personal property is entitled to an exemption from taxation by a taxing unit of $125,000 of the total appraised value of all the tangible personal property the person owns that is held or used for the production of income and is subject to a lease, regardless of where the property is located in the taxing unit.

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

(f) For the purposes of Subsection (b), if a person is a related business entity, all property described by that subsection that has taxable situs at the same location in a taxing unit and that is owned by the person is aggregated with the property described by that subsection that has taxable situs at the same location in the taxing unit and that is owned by each other related business entity that composes the same unified business enterprise to determine taxable value for the entity.

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

(1) is a related business entity; and

(2) has aggregated tangible personal property as provided by Subsection (f).

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

(c-1) In this section:

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

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

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

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

SECTION 3. Section 22.24(c), Tax Code, is amended to read as follows:

(c) The comptroller may prescribe or approve different forms for different kinds of property but shall ensure that each form requires a property owner to furnish the information necessary to identify the property and to determine its ownership, taxability, and situs. Each form must include a box that the property owner may check to permit the property owner to affirm that the information contained in the most recent rendition statement filed by the property owner in a prior tax year is accurate with respect to the current tax year in accordance with Section 22.01(l). <u>Each form must include a box that a property owner that is a related business entity, as defined by Section 11.145, must check to identify the owner as a related business entity. Each form must include a box that a property owner who elects not to render the property for taxation as authorized by Section 22.01(j-1) must check to certify that the owner reasonably believes that the value of the property is not more than the amount exempted under Section 11.145(b) or (d), as applicable.</u> A form may not require but may 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 4. This Act applies only to ad valorem taxes imposed for a tax year that begins on or after the effective date of this Act.

SECTION 5. This Act 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 Act has no effect.

ADOPTED

MAY 14 2025

Patsy Spaw
Secretary of the Senate

FLOOR AMENDMENT NO. 1 BY: Paul Bettencourt

Amend C.S.H.B. No. 9 (senate committee printing) as follows:

(1) In SECTION 1 of the bill, in amended Section 11.145, Tax Code, between Subsections (d) and (e) of the section (page 1, between lines 59 and 60), insert the following:

(d-1) Notwithstanding Subsections (b) and (d), a person is entitled to an exemption from taxation by a taxing unit of $125,000 of the total appraised value of all the tangible personal property the person owns that is held or used for the production of income in the taxing unit if the property has taxable situs within the taxing unit at any location that is not owned or leased by the owner, regardless of where the property is located within the taxing unit.

(2) In SECTION 1 of the bill, in added Section 11.145(e), Tax Code (page 1, line 60), strike "The exemption provided by Subsection (d) applies" and substitute "The exemptions provided by Subsections (d) and (d-1) apply".

(3) In SECTION 2 of the bill, in added Section 22.01(j-1)(2), Tax Code, between "11.145(d)" and the underlined period (page 2, line 36), insert "or (d-1), as applicable".

(4) In SECTION 2 of the bill, in added Section 22.01(j-3), Tax Code (page 2, line 47), strike "11.145(b) or (d)" and substitute "11.145(b), (d), or (d-1)".

(5) In SECTION 3 of the bill, in amended Section 22.24(c), Tax Code (page 3, line 8), strike "11.145(b) or (d)" and substitute "11.145(b), (d), or (d-1)".

**LEGISLATIVE BUDGET BOARD**
**Austin, Texas**

**FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION**

**May 15, 2025**

**TO:** Honorable Dustin Burrows, Speaker of the House, House of Representatives

**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.), **As Passed 2nd House**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB9, As Passed 2nd House: a negative impact of ($193,504,000) through the biennium ending August 31, 2027.

**General Revenue-Related Funds, Five- Year Impact:**

| ***Fiscal Year*** | **Probable Net Positive/(Negative) Impact to *General Revenue Related Funds*** |
|---|---|
| 2026 | $0 |
| 2027 | ($193,504,000) |
| 2028 | ($106,732,000) |
| 2029 | ($115,129,000) |
| 2030 | ($145,424,000) |

**All Funds, Five-Year Impact:**

| ***Fiscal Year*** | **Probable Savings/(Cost) from *Foundation School Fund* 193** | **Probable Revenue Gain/(Loss) from *Recapture Payments Atten Crdts* 8905** | **Probable Revenue Gain/(Loss) from *School Districts*** |
|---|---|---|---|
| 2026 | $0 | $0 | $0 |
| 2027 | ($193,504,000) | ($72,597,000) | ($339,632,000) |
| 2028 | ($106,732,000) | ($71,917,000) | ($329,395,000) |
| 2029 | ($115,129,000) | ($78,202,000) | ($349,107,000) |
| 2030 | ($145,424,000) | ($74,723,000) | ($386,531,000) |

**Fiscal Analysis**

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.

Exceptions to separate exemptions at each location in a taxing unit would be provided for tangible personal property leased by the owner to others, and tangible personal property at locations neither owned nor leased by the owner of the property. A property owner who leases tangible personal property would receive the exemption on the total appraised value of all tangible personal property that is subject to a lease, regardless of where the property is located within the taxing unit. The bill would provide an exemption from taxation by a taxing unit of $125,000 of the total appraised value of all the tangible personal property held or used for the production of income in the taxing unit if the property has taxable situs within the taxing unit at any location that is not owned or leased by the owner, regardless of where the property is located within 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.

**Methodology**

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. The bill provides the exemption would apply per location and precludes the subdivision of eligible tangible personal property at one location. This analysis is based on business personal property account value data provided to the Comptroller of Public Accounts by appraisal districts.

Under provisions of the Education Code, the school district tax revenue loss is partially transferred to the state. The estimated cost to the Foundation School Program (FSP) is $193.5 million in fiscal year 2027, $106.7 million in fiscal year 2028, increasing to $145.4 million in fiscal year 2030. The cost to the FSP includes estimated decreases in Recapture Payments - Attendance Credits of $72.6 million in fiscal year 2027, $71.9 million in fiscal year 2028, increasing to $74.7 million in fiscal year 2030 as a result of school district tax revenue loss. The decrease in recapture is reflected as a revenue loss in the table above because recapture is appropriated as a method of finance for the FSP in the General Appropriations Act.

**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 by $442.0 million in fiscal year 2027. 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, KK, BRI, SD, SZ

**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

**LEGISLATIVE BUDGET BOARD**
**Austin, Texas**

**FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION**

**May 2, 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 a person owns that is held or used for the production of income.), **As Engrossed**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB9, As Engrossed: a negative impact of ($566,354,000) through the biennium ending August 31, 2027.

**General Revenue-Related Funds, Five- Year Impact:**

| *Fiscal Year* | **Probable Net Positive/(Negative) Impact to** ***General Revenue Related Funds*** |
|---|---|
| 2026 | ($235,949,000) |
| 2027 | ($330,405,000) |
| 2028 | ($308,700,000) |
| 2029 | ($409,142,000) |
| 2030 | ($538,351,000) |

**All Funds, Five-Year Impact:**

| *Fiscal Year* | **Probable Savings/(Cost) from** ***Foundation School Fund*** **193** | **Probable Revenue Gain/(Loss) from** ***Recapture Payments Atten Crdts*** **8905** | **Probable Revenue Gain/(Loss) from** ***School Districts*** |
|---|---|---|---|
| 2026 | ($235,949,000) | ($91,728,000) | ($378,153,000) |
| 2027 | ($330,405,000) | ($103,613,000) | ($430,165,000) |
| 2028 | ($308,700,000) | ($96,440,000) | ($422,671,000) |
| 2029 | ($409,142,000) | ($104,117,000) | ($448,023,000) |
| 2030 | ($538,351,000) | ($99,639,000) | ($496,667,000) |

## Fiscal Analysis

The bill would amend Chapter 11 of the Tax Code to exempt $250,000 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.

## Methodology

Contingent on the passage of a HJR 1, the bill would provide property owners with an exemption of $250,000 in tangible personal property that is held for the production of income, creating a fiscal impact to the state through the operation of the school finance formulas. This analysis is based on business personal property account value data provided to the Comptroller of Public Accounts by appraisal districts.

Under provisions of the Education Code, the school district tax revenue loss is partially transferred to the state. The estimated cost to the Foundation School Program (FSP) is $235.9 million in fiscal year 2026, $330.4 million in fiscal year 2027, increasing to $538.4 million in fiscal year 2030. The cost to the FSP includes estimated decreases in Recapture Payments - Attendance Credits of $91.7 million in fiscal year 2026, $103.6 million in fiscal year 2027, decreasing to $99.6 million in fiscal year 2030 as a result of school district tax revenue loss. The decrease in recapture is reflected as a revenue loss in the table above because recapture is appropriated as a method of finance for the FSP in the General Appropriations Act.

Note: Due to interactive effects, the estimated state cost of combining reducing school district taxable property value as proposed by this legislation with policies that would increase property tax rate compression would be lower than the combined state cost estimates of those policies in isolation.

## 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 $250,000 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 by $452.0 million in fiscal year 2026. 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, BRI, KK, SD

**LEGISLATIVE BUDGET BOARD**
**Austin, Texas**

**FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION**

**March 2, 2025**

**TO:** Honorable Morgan Meyer, Chair, House Committee on Ways & Means

**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 a person owns that is held or used for the production of income.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB9, As Introduced: a negative impact of ($566,354,000) through the biennium ending August 31, 2027.

**General Revenue-Related Funds, Five- Year Impact:**

| *Fiscal Year* | **Probable Net Positive/(Negative) Impact to** ***General Revenue Related Funds*** |
|---|---|
| 2026 | ($235,949,000) |
| 2027 | ($330,405,000) |
| 2028 | ($308,700,000) |
| 2029 | ($409,142,000) |
| 2030 | ($538,351,000) |

**All Funds, Five-Year Impact:**

| *Fiscal Year* | **Probable Savings/(Cost) from** ***Foundation School Fund*** **193** | **Probable Revenue Gain/(Loss) from** ***Recapture Payments Atten Crdts*** **8905** | **Probable Revenue Gain/(Loss) from** ***School Districts*** |
|---|---|---|---|
| 2026 | ($235,949,000) | ($91,728,000) | ($378,153,000) |
| 2027 | ($330,405,000) | ($103,613,000) | ($430,165,000) |
| 2028 | ($308,700,000) | ($96,440,000) | ($422,671,000) |
| 2029 | ($409,142,000) | ($104,117,000) | ($448,023,000) |
| 2030 | ($538,351,000) | ($99,639,000) | ($496,667,000) |

## Fiscal Analysis

The bill would amend Chapter 11 of the Tax Code to exempt $250,000 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.

## Methodology

Contingent on the passage of a HJR 1, the bill would provide property owners with an exemption of $250,000 in tangible personal property that is held for the production of income, creating a fiscal impact to the state through the operation of the school finance formulas. This analysis is based on business personal property account value data provided to the Comptroller of Public Accounts by appraisal districts.

Under provisions of the Education Code, the school district tax revenue loss is partially transferred to the state. The estimated cost to the Foundation School Program (FSP) is $235.9 million in fiscal year 2026, $330.4 million in fiscal year 2027, increasing to $538.4 million in fiscal year 2030. The cost to the FSP includes estimated decreases in Recapture Payments - Attendance Credits of $91.7 million in fiscal year 2026, $103.6 million in fiscal year 2027, decreasing to $99.6 million in fiscal year 2030 as a result of school district tax revenue loss. The decrease in recapture is reflected as a revenue loss in the table above because recapture is appropriated as a method of finance for the FSP in the General Appropriations Act.

Note: Due to interactive effects, the estimated state cost of combining reducing school district taxable property value as proposed by this legislation with policies that would increase property tax rate compression would be lower than the combined state cost estimates of those policies in isolation.

**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 $250,000 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 by $452.0 million in fiscal year 2026. 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, KK, SD, BRI