

SUBJECT: Exempting low-yield property, mineral interests from ad valorem taxation

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 8 ayes — Craddick, Wolens, Finnell, Heflin, Horn, Marchant, Place, Romo
0 nays
3 absent — Holzheuser, T. Hunter, Oliveira

WITNESSES: For — W. Kenneth Nolan, Dallas Central Appraisal District; George H. Moff; David Luther; Bill Allaway, Texas Association of Taxpayers
Against — None
On — Frank Battle, Texas Association of School Boards

BACKGROUND: The Texas Constitution prohibits all but specified exemptions from the property (ad valorem) taxes imposed by local taxing authorities. The Constitution must be amended to authorize any such exemptions. Non-income-producing household goods and personal property and effects are exempted, but taxes are imposed if such property produces income.

DIGEST: CSHJR 31 proposes a constitutional amendment allowing the Legislature to grant a tax exemption for income-producing personal property and mineral interests with value insufficient value to recover the costs of administering the tax.

The proposal would be presented to voters at an election on November 7, 1995. The ballot proposal would read: "The constitutional amendment authorizing the Legislature to exempt from ad valorem taxation personal property and mineral interests having a value insufficient to recover the administrative costs of collecting the taxes."

SUPPORTERS SAY: Local taxing districts that impose property taxes may find themselves spending more to collect the taxes on some low-yield property than the property produces in revenue. This counterproductive situation would be ended by this amendment and its implementing HB 366, which would

allow an exemption for personal property and mineral interest valued at less than \$500.

The exemption would apply only to tangible income-producing personal property and mineral interests that have a taxable value less than the minimum amount sufficient to cover the costs of the administration of the tax. It would create a convenience for taxpayers and tax offices alike and by definition would not have a positive, not a negative, effect on local revenues.

OPPONENTS
SAY:

Although the amounts involved may be small, granting any new property tax exemption that could reduce local revenue should be approached cautiously.

NOTES:

The committee substitute for HJR 31 made the exemption apply to mineral interests; the original proposal applied only to personal property. The substitute also changed the election date from November 5, 1996, to November 7, 1995.

Also on today's calendar is HB 366 by Hartnett, which would establish a minimum value of \$500 for ad valorem taxation of income-producing personal property and mineral interests, subject to approval of HJR 31.