

**SUBJECT:** Exempting commercial fishing boats and equipment from property taxes

**COMMITTEE:** Ways and Means — favorable, without amendment

**VOTE:** 9 ayes — Oliveira, McCall, Bonnen, Craddick, Y. Davis, Keffer, T. King, Ramsay, Sadler

0 nays

2 absent — Heflin, Hilbert

**WITNESSES:** For — Wilma Anderson, Texas Shrimp Association; William Turner, Matagorda County Navigation District No. 1

Against — None

**BACKGROUND:** Art. 8, sec. 19a of the Texas Constitution, adopted by the Legislature and the voters in 1982, exempts from ad valorem taxation implements of husbandry, such as machinery and equipment, used in production of farm or ranch products.

**DIGEST:** HJR 81 would amend Art. 8, sec. 19a of the Constitution to exempt from ad valorem taxation all boats and other equipment used in the commercial taking of fish, shrimp, shellfish, or other marine life.

The proposed amendment would be presented to Texas voters at an election on November 2, 1999. The ballot proposal would read: “The constitutional amendment to provide boats and other equipment used in the commercial taking and production of marine life the same property tax treatment as machinery and equipment used in the production of farm or ranch products.”

**SUPPORTERS SAY:** People in the fishing industry harvest food and are stewards of the sea. As such, they should receive the same property tax treatment given to farmers and ranchers on the implements of their vocation and on the land they use. Like farming, fishing is an inconsistent, unpredictable business. Property taxes imposed on boats and related equipment can cause a burden on the operation of these businesses, especially small, family-owned operations.

Other states on the Gulf of Mexico offer favorable tax treatment to shrimping vessels, which encourages Texas fisherman to register their boats in the ports of Louisiana, Mississippi, and Alabama. Texas ought to offer comparable tax relief to keep these boats here.

In Texas, different counties have adopted different ways of assessing boats and other fishing equipment, despite laws that require property to be assessed at its market value, which has resulted in inequitable treatment of this property for taxation purposes. Much of these differences stem from efforts to lure the remaining Texas boats into their counties' ports. HJR 81 would place all Texas coastal counties on an equal footing with each other and with other Gulf states to attract and keep Texas boats in local ports.

OPPONENTS  
SAY:

Commercial fishing operations should not receive the same tax exemptions as farmers or ranchers receive on their implements. Unlike farmers and ranchers, commercial fishing operations pay no property tax on the land from which they harvest or on which they graze livestock. Farmers and ranchers own their land, and land designated for agricultural use is appraised at its capacity to produce agricultural products. Fisherman and shrimpers do not own the ocean and do not pay taxes based on its capacity to produce marine products.

Too many exemptions from ad valorem taxation have been granted, and the tax base is being eroded. Every special-interest group wants an exemption from property and sales taxes for materials used in a trade or business, and each new exception granted makes it harder decline another one the next time.

NOTES:

In 1995, Texas voters rejected by 62 percent to 38 percent a similar proposed constitutional amendment that would have given local taxing authorities the option of exempting from property taxation boats and other equipment used for commercial fishing and shrimping.

The fiscal note estimates that the state would reimburse school districts for their total tax levy losses from the exemption with about \$2 million in general revenue per year. About \$123 million in new property would be deleted from local tax rolls, and city and county governments would lose about \$1.2 million per year.