

SUBJECT: Exempting leased motor vehicles from ad valorem taxation

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 8 ayes — Oliveira, McCall, Bonnen, Craddick, Heflin, Hilbert, Keffer, T. King
0 nays
3 absent — Y. Davis, Ramsay, Sadler

SENATE VOTE: On final passage, March 25 — 30-1 (Barrientos)

WITNESSES: None

DIGEST: SJR 21 would amend Art. 8, sec. 1, of the Texas Constitution to allow the Legislature to exempt from ad valorem taxation motor vehicles leased for personal use that are not held primarily for the production of income and that would qualify for exemption if owned by the taxpayer. The Legislature could limit the ability of political subdivisions to tax leased motor vehicles exempted by the proposal.

SJR 21 also would delete references in this section of the Constitution to county education districts, which no longer exist.

The proposal would be presented to Texas voters at an election on November 2, 1999. The ballot proposal would read: “The constitutional amendment to authorize the legislature to exempt from ad valorem taxation leased motor vehicles not held by the lessee primarily to produce income.”

SUPPORTERS SAY: SJR 21 would harmonize the Constitution’s exemptions on personal property with current market conditions. It would exempt from property taxation vehicles leased by a person and titled to a lender, an exemption that already applies to vehicles owned by a person. SJR 21 would eliminate this annual tax on citizens who lease cars for personal use. The proposal would not affect vehicles leased for business use or for the production of income by the lessee. These vehicles would remain subject to taxation.

Almost two-thirds of vehicles leased in Texas are for personal rather than business use. Current law relating to leased vehicles harkens back to a time when leased vehicles were used almost exclusively by businesses, which receive federal income-tax breaks for business uses of their leased vehicles. People who lease cars for personal use are being “double-taxed,” because they pay a sales tax up front and then are liable to pay a business personal property tax on the vehicle. People leasing a car for their personal use receive no federal income-tax deduction.

To the extent that this exemption would encourage people to lease cars, there could be an increase in sales taxes resulting from increased vehicle transactions. On average, a leased vehicle is replaced every 38 months, compared with 53 months for an owned vehicle.

**OPPONENTS
SAY:**

The property tax exemption proposed by SJR 21 should be permissive, not mandatory. Individual taxing units ought to be able to decide whether these vehicles should be taxed or not.