

- SUBJECT:** Ad valorem tax exemption for travel trailers
- COMMITTEE:** Local Government Ways and Means — committee substitute recommended
- VOTE:** 6 ayes — Hill, Hegar, Laubenberg, McReynolds, Mowery, Quintanilla
0 nays
1 absent — Puente
- WITNESSES:** For — Cathie Carr, Escapees RV Club; Brian Schaeffer, Texas Association of Campground Owners; (*On committee substitute:*) Brian Booker and Chad Cotton, Explore USA RV Sales
Against — None
On — Dan Wilson, Comptroller of Public Accounts, Property Tax Division
- BACKGROUND:** Texas Constitution, Art. 8, sec. 1(d) requires the Legislature to exempt non-income-producing household goods and personal effects from ad valorem taxation. The Legislature may exempt from taxation all other tangible personal property, except structures that are used or occupied as residential dwellings and property used to generate income. Under Art. 8, sec. 1(e), the governing body of a political subdivision may elect to tax property exempted by the Legislature under a law adopted under Art. 8, sec. 1(d) and not exempted by any other law.

In November 2001, Texas voters amended the Constitution (Proposition 14, HJR 44 by Flores) by adding Art. 8, sec. 1(j). This subsection allows the Legislature to authorize taxing units other than school districts to grant property-tax exemptions to owners of non-income-producing travel trailers registered in Texas, regardless of whether the trailers are real or personal property.
- DIGEST:** CSHJR 12 would repeal Texas Constitution, Art. 8, sec. 1(j). The amendment would take effect January 1, 2004, and would apply only to a tax year that began on or after that date.

The amendment would be presented to voters at an election on November 4, 2003. The ballot proposal would read: "The constitutional amendment to authorize the legislature to exempt from ad valorem taxation travel trailers not held or used for the production of income."

**SUPPORTERS
SAY:**

Voter approval of CSHJR 12, coupled with enactment of CSHB 40, the enabling legislation, would undo an inadvertent problem caused by HJR 14, the amendment approved by voters in 2001. Both the 77th Legislature and Texas voters intended to provide property-tax relief for travel trailer owners, but the wording of the 2001 amendment effectively prohibits school districts from granting these exemptions. As a result, many school districts that previously had exempted travel trailers determined that they no longer had authority to do so.

CSHJR 12 would clarify confusion about whether local taxing units could offer the exemption to travel trailer owners. In March 2002, Gov. Rick Perry and legislators who sponsored HJR 44 and its enabling legislation wrote a letter advising counties' chief appraisers to consult with their legal counsel about whether they should refrain from implementing the unintentional changes caused by the constitutional amendment. No consensus has emerged on how to apply the law, and a handful of taxing units that previously had not assessed the tax have begun to assess and collect it. Another constitutional amendment is needed to resolve these questions.

Fairer treatment of travel trailer owners would help promote tourism in Texas and would encourage more people to visit the state for extended periods. Travel trailer owners represent a tightly knit community, and they notify others quickly about public policies that hurt their interests. County appraisal districts can appraise for taxation only travel trailers registered in Texas. As a result, owners may register their travel trailers in other states, costing Texas those registration fees. Members of the travel trailer community also may buy their travel trailers outside the state, causing Texas dealerships to lose sales and the state to lose additional sales-tax revenue.

CSHJR 12 would address another apparent inequity arising from the fact that owners of larger recreational vehicles, which cost substantially more than travel trailers, are exempt from local property taxes, whereas travel trailers are

subject to these taxes. The state still needs to address the issue of uniformity of local taxation of travel trailers, clarify the property-tax statutes, and remove appraisal subjectivity by tax appraisers.

**OPPONENTS
SAY:**

CSHJR 12 would add to existing confusion by returning the Constitution to its status before the approval of HJR 14. Tax appraisers still would have to determine subjectively whether an individual travel trailer could be moved or was used as a permanent residential dwelling. Travel trailers may be occupied indefinitely and can have frame structures attached. If the owners live in them, the trailers should be taxed as real property, like manufactured homes. Second homes are not inherently tax-exempt simply because they are mobile.

Tax exemptions already erode the ability of school districts to generate revenue. Any additional loss of revenue would harm school districts and other local taxing units. Currently, several small West Texas school districts tax tangible property such as automobiles and airplanes as well as travel trailers with the consent of their taxpayers. CSHJR 12 could lead to the Legislature's ending this element of local control by enacting statewide exemptions for these types of property.

Despite long-standing claims that local taxes inhibit tourism, "winter Texans" keep returning. Clearly, they choose their seasonal homes not on the basis of taxes but because of other factors, such as the overall low cost of living, aesthetics of the landscape, and proximity to the Gulf of Mexico.

**OTHER
OPPONENTS
SAY:**

CSHJR 12 should be amended to clarify the distinction between travel trailers that are mobile and those cannot be moved easily. Winter Texans routinely attach roofs, "Texas sun rooms," spas, or other fixtures to their travel trailers. Class action lawsuits are pending as to how Hidalgo and Cameron counties appraise attached travel trailers. The Senate companion, SJR 25 by Staples, would disallow the exemption for structures that are "substantially affixed to real estate." That approach would address the issues raised in the pending lawsuits and would avoid recreating the situation that existed before the approval of the 2001 constitutional amendment.

CSHJR 12 would not address the uncertainty about tax liability for tax years 2002 and 2003. The resolution should adopt the approach of SJR 25, which would apply to a tax year beginning on or after January 1, 2002.

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NOTES:

On March 20, the Senate by 29-0 adopted SJR 25 by Staples, which would repeal Texas Constitution, Art. 8, sec. 1(j) and would amend sec. 1(d) to allow the Legislature to exempt from taxation all non-income-producing tangible personal property except for structures that are substantially affixed to real estate. It would apply to tax years beginning on or after January 1, 2002. The Local Government Ways and Means Committee reported SJR 25 favorably, without amendment, on March 28, making it eligible to be considered in lieu of HJR 12.

As filed, HJR 12 would have proposed amending Art. 8, sec. 1(j) by removing the exception for school districts, thereby allowing them to exempt travel trailers from taxation. The committee substitute would repeal the entire provision approved by voters in November 2001.

CSHB 40 by Hegar, the enabling legislation for CSHJR 12, is on today's House calendar. The Senate passed the companion bill, SB 510 by Staples, by 29-0 on March 20. The Local Government Ways and Means Committee reported SB 510 favorably, without amendment, on March 28, making it eligible to be considered in lieu of HB 40.