

SUBJECT: Exempting vehicles used for personal activities from ad valorem taxes

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 6 ayes — J. Keffer, Edwards, Paxton, Ritter, Smithee, Woolley
0 nays — None
3 absent — Villarreal, Grusendorf, Luna

WITNESSES: For — Bill Jones, Texas Association of Realtors
Against — None

BACKGROUND: Tax Code sec. 22.01 requires a person to render for taxation all tangible personal property used for the production of income. Under sec. 22.28, an individual who fails to render property is subject to a penalty of 10 percent of the value of annual taxes imposed on the property by taxing districts.

DIGEST: Under CSHB 809, an individual who owned and operated one or more passenger cars or light trucks for personal purposes and for the individual's profession would not be required to render the vehicles for taxation.

The bill would take effect January 1, 2006, and would apply only to the rendition of property for a tax year beginning on or after that date.

SUPPORTERS SAY: CSHB 809 would eliminate the requirement that individuals who use personal vehicles for business purposes render those vehicles for taxation. Many independent entrepreneurs use a personal vehicle in the execution of their professional responsibilities, and it is inappropriate that a person's personal car or truck be taxed. Because they are unable to receive an exemption for personal use, individuals are taxed on the entire value of a vehicle. The Legislature has not shown a desire to tax property used for personal purposes in the past, and CSHB 809 simply would clarify state law in that regard.

The Legislative Budget Board anticipates no significant fiscal impact due to the enactment of CSHB 809. Any reduction in property values under this bill would not be significant for local taxing units. However, the bill truly would benefit realtors, farmers, and other small business owners and contractors who operate personal vehicles dually for commercial purposes.

**OPPONENTS
SAY:**

Vehicles exempted under this bill should be taxable and treated as any other personal property that generates income. There is no limitation on the number of personal vehicles that could be exempted under this bill, potentially opening a loophole that could reduce ad valorem tax revenue for local jurisdictions.

NOTES:

Under the bill as filed, an individual who owned or operated only one passenger car or light truck for professional purposes would not have had to render that vehicle for tax purposes. An individual with more than one passenger car or light truck could have elected not to render one of those vehicles.