

- SUBJECT:** Procedure for filing unchanged rendition statement for personal property
- COMMITTEE:** Ways and Means — committee substitute recommended
- VOTE:** 9 ayes — J. Keffer, Villarreal, Edwards, Grusendorf, Luna, Paxton, Ritter, Smithee, Woolley
- 0 nays
- WITNESSES:** For — Jim Robinson, Texas Association of Appraisal Districts
- Against — None
- BACKGROUND:** Tax Code, ch. 22, generally requires individuals and businesses subject to ad valorem taxation to render (report) by April 15 of each tax year to county appraisal districts (CADs) all tangible business personal property (BPP), other than real estate, used in income-producing activities in conjunction with property they owned or managed on January 1.
- In 2003, the 78th Legislature enacted SB 340 by Staples, which created penalties for failure to file a timely rendition report, established the content of rendition statements, allowed the chief appraiser to ask property owners to submit documentation to support their estimates of the value of BPP rendered, and provided amnesty for past failure to render.
- Current law specifies BPP rendition content, including owners' good-faith estimates of market value or acquisition costs, unless the property is worth less than \$20,000. Chief appraisers may ask property owners to document their BPP value estimates. Current law penalizes a property owner 10 percent of the property tax due for a tax year in which the owner fails to render BPP on a timely basis to the CAD.
- Owners convicted of fraud or making false statements must pay a 50 percent penalty. Falsifying statements can be a state jail felony (180 days to two years in a state jail and an optional fine of up to \$10,000) or a class A misdemeanor (up to one year in jail and/or a maximum fine of \$4,000).

DIGEST:

CSHB 818 would amend Tax Code, sec. 22.01 to provide that if the information contained in the most recent rendition statement filed in a prior tax year was accurate for the current tax year, the person could comply with the requirements for a rendition statement by filing it on a form, prescribed or approved by the comptroller, on which the person had checked the appropriate box to affirm that the BPP information continued to be accurate. The bill would require that each form prescribed or approved by the comptroller for filing a rendition statement include such a box that the property owner could check.

This bill would take effect September 1, 2005, but the provisions for filing a rendition statement on the described form would not take effect until January 1, 2006. As soon as practicable after September 1, 2005, but not later than January 1, 2006, the comptroller would prescribe or approve the required forms.

SUPPORTERS
SAY:

HB 818 would simplify filing a rendition statement for businesses if the BPP information from the most recent rendition statement was still accurate for the current year. The comptroller would prescribe or authorize a form that contained a box that could be checked if no BPP information had changed from the previous year.

Current law requires annual reporting for tax purposes of all tangible personal property used to produce income. For service-oriented, small businesses, such as an accounting firms, insurance agencies, or law firms, inventory often remains unchanged except for small, expendable items like pencils and paper.

The bill would eliminate an administrative burden for small businesses by not requiring them to complete full inventory statements. It would reduce appraisal districts' administrative burden if the designated box were checked because they would not have to analyze all BPP entries but instead would depreciate assets on the roll for the prior tax year.

Under the bill, new businesses would have to complete rendition statements for at least the first year. If no BPP information changed in the second year of operation, a business could check the box on the comptroller-issued form.

Before the Legislature authorized penalties for failure to file a rendition statement or falsifying such a statement, some firms that acquired new

assets and did not want an appraiser to know about them simply did not file rendition statements. In very large counties with more than 100,000 businesses, it could take appraisers a year or two to complete an inspection cycle.

This bill could decrease the need for inspections because it would encourage filing rendition statements. With penalties now in place and the process simplified through HB 818, the taxpayer would have every incentive to comply.

OPPONENTS
SAY:

HB 1578 would make the process of reporting BPP inventory too simple. By only providing a check box to report if a recent rendition statement remained the same, the bill could create a temptation for fraud. Although current law provides penalties for falsifying this type of information, checking off a designated box would seem an easy way for a business to conceal the purchase of a large item.

NOTES:

The bill as introduced would have exempted persons from rendering the BPP information for taxation if the information contained in the person's most rendition statement filed in a prior tax year was accurate for the current year. The committee substitute would not include that exemption but would allow a person to check a box on a form provided by the comptroller to indicate the person's current BPP information had not changed from the most recent tax year.