HOUSE
RESEARCH
ORGANIZATION bill analysis   5/20/2021

SB 1315 (2nd reading)
Lucio
(Dominguez)

SUBJECT: Tax exemptions for leased property used in navigation-related commerce

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 9 ayes — Meyer, Thierry, Button, Cole, Guerra, Murphy, Noble, Rodriguez, Shine

                0 nays

                2 absent — Martinez Fischer, Sanford

SENATE VOTE: On final passage, April 27 — 29-2 (Perry, Seliger)

WITNESSES: For — Eduardo Campirano, Brownsville Navigation District for Port of Brownsville; (*Registered, but did not testify*: Stephen Grant, Popp Hutcheson PLLC; Ron Lewis, Port of Beaumont; Randy Delay and Mario A. Martinez, Port of Brownsville; Brian Yarbrough, Port of Corpus Christi Authority; Sarah Bagwell Rudy, Port of Port Arthur; R. Clint Smith, Texas Association of Property Tax Professionals; Elise Richardson, Texas Ports Association & Port Freeport)

                Against — None

                On — (*Registered, but did not testify*: Korry Castillo, Comptroller of Public Accounts)

BACKGROUND: Under Tax Code sec. 25.07(b)(6), a lessee who holds a leasehold interest in property leased from a municipality, public port, or navigation district is exempt from paying property taxes on that leasehold interest if the leased property is used as an aid or facility incidental to or useful in the operation or development of a port or waterway or in aid of navigation-related commerce.

                Water Code sec. 60.101 authorizes a navigation district to acquire and maintain port facilities, and sec. 61.162 allows a navigation district to lease and rent port facilities. Sec. 63.153 governs duties of self-liquidating

navigation districts.

DIGEST: SB 1315 would specify that property under Tax Code sec. 25.07(b)(6) would be exempt from property taxes if the property:

- was leased to a person engaged in the business of navigation-related commerce or for a purpose authorized under Water Code secs. 60.101, 61.162, and 63.153, or for the placement on the property of an improvement specified by current law;
- was located adjacent to a federal navigation project or was in a foreign trade zone established and operated under federal law; or
- included part of a rail facility that served the tenants and users of the port or waterway.

"Navigation-related commerce" would be defined as:

- an activity that required a person to hold a maritime-related license or permit or a franchise issued by a navigation district;
- possessing a leasehold interest in property owned by a navigation district that connected infrastructure to a public dock;
- hauling cargo into or across a public dock;
- commercial fishing;
- constructing, fabricating, cleaning, repairing, dismantling, or recycling vessels;
- pilotage; or
- an activity described by Water Code secs. 60.101, 61.162, and 63.153.

The bill would take effect September 1, 2021, and would apply only to the taxation of property for a tax year beginning on or after that date.

SUPPORTERS   SB 1315 would harmonize standards that county appraisal districts use to
SAY: determine which activities qualify as "navigation-related commerce."
                Currently, county appraisal districts apply different standards for
                determining what activities qualify as "navigation-related commerce."

This practice may affect the economic development of a community in one navigation district differently than a district in another area.

By clarifying which activities are included in navigation-related commerce, the bill would create uniformity and promote equal footing in economic development for communities.

CRITICS SAY:

SB 1315 would include an overly broad definition of "navigation-related commerce," inappropriately including activities such as commercial fishing. The bill also should not limit property tax exemptions to one area or industry of the state, as other industries, such as agriculture and timber, could benefit from property tax exemptions.

NOTES:

According to the Legislative Budget Board, taxable property values could be reduced and the related costs to the Foundation School Fund could be increased through the operation of the school finance formulas. Taxable property values and related property tax revenue for units of local government could be reduced.