BILL ANALYSIS

Senate Research Center
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S.B. 1490
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Finance
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DIGEST

In 1989, the legislature passed the "Freeport Amendment" which was intended to provide some tax relief by allowing Texas taxing entities to exempt certain property from taxation if the tax would have been assessed against product moving in interstate commerce and remaining in a Texas warehouse for less than 175 days. The "Freeport Amendment" did not provide the desired tax relief because less than 100 of the 2,200 plus taxing entities chose the amendment and because it did not apply to Texas products held in storage in Texas warehouses. S.B. 1490 would provides that a person is entitled to an exemption from taxation of the appraised value of that portion of the person's property that consists of goods-in-transit and would require the chief appraiser, in determining the market value of goods-in-transit that in the preceding year were assembled, manufactured, repaired, maintained, processed, or fabricated in this state, or used by a person who acquired or imported the property in the repair or maintenance of aircraft operated by a certficated air carrier, to exclude the cost of equipment, machinery, or materials that entered into and became component parts of the goods-in-transit but were not themselves goods-in-transit or that were not transported to another location in this state, or out of this state before the expiration of 270 days after the date they were brought into this state by the property owner, or acquired by the property owner in this state.

PURPOSE

As proposed, S.B. 1490 sets forth provisions for the exemption of certain tangible personal property held only temporarily for assembling, manufacturing, processing, or other commercial purposes from ad valorem taxation.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 11B, Tax Code, by adding Section 11.52, as follows:

Sec. 11.252. TANGIBLE PERSONAL PROPERTY IN TRANSIT. (a) Defines "goods-in-transit."

(b) Provides that a person is entitled to an exemption from taxation of the appraised value of that portion of the person's property that consists of goods-in-transit.

(c) Provides that the exemption provided by Subsection (b) is subtracted from the market value of the property determined under Section 23.12 to determine the taxable value of property.

(d) Requires the chief appraiser, except as provided by Subsections (f) and (g), to determine the appraised value of goods-in-transit under this subsection; to determine the percentage of the market value of inventory or property owned by a property owner in the previous calendar year that was contributed by goods-in-transit; for the first year to which an exemption applies, to determine that percentage as if the exemption applied to the preceding year; and to apply that percentage to the market value of the property owner's inventory or property for the current year to determine the appraised value of goods-in-transit for the current year.

(e) Requires the chief appraiser, in determining the market value of goods-in-transit that in the preceding year were assembled, manufactured, repaired, maintained, processed, or fabricated in this state, or used by a person who acquired or imported the property in the repair or maintenance of aircraft operated by a certficated air carrier, to exclude the cost of equipment, machinery, or materials that entered into and became component parts of the goods-in-transit but were not themselves goods-in-transit or that were not transported to another location in this state, or out of this state before the expiration of 270 days after the date they were brought into this state by the property owner, or acquired by the property owner in this state. Authorizes the chief appraiser, for component parts held in bulk, to use the average length of time a component part was held at a location in this state by the property owner during the preceding year in determining whether the component parts were transported to another location in this state or out of this state before the expiration of 270 days.

(f) Requires the chief appraiser to calculate the percentage of the market value described in Subsection (d) for the portion of the year in which the property owner was engaged in transporting goods-in-transit to another location in this state or out of this state, if the property owner was not engaged in transporting goods-in-transit to other locations in this state or out of this state for the entire preceding year.

(g) Requires the chief appraiser to determine the market value of the goods-in-transit to be exempt by determining, according to the property owner's records and any other available information, the market value of those goods-in-transit owned by the property owner on January 1 of the current year, excluding the cost of equipment, machinery, or materials that entered into and became component parts of the goods-in-transit but were not themselves goods-in-transit, or that were not transported to another location in this state or out of this state before the expiration of 270 days after the date they were brought into this state by the property owner or acquired by the property owner in this state, if the property owner or the chief appraiser demonstrates that the method provided by Subsection (d) significantly understates or overstates the market value of the property qualified for an exemption under Subsection (b) in the current year.

(h) Authorizes a chief appraiser by written notice to be delivered to a property owner who claims an exemption under this section to require the property owner to provide copies of property records to determine the amount and value of goods-in-transit. Provides that if the property owner fails to deliver the information requested in the notice before the 31st day after the date the notice is delivered to the property owner, the property owner forfeits the right to claim or receive the exemption for that year.

(i) Defines "petroleum products."

(j) Provides that property that meets the requirements of Section 1-n(a), Article VIII, Texas Constitution, constitutes goods-in-transit regardless of whether a person owns the property on January 1 is the person who transports it to another location in this state or out of this state.

SECTION 2. Amends Section 11.437(a), Tax Code, to authorize a person who operates a warehouse used primarily for the storage of cotton for transportation to another location in this state or outside this state, to apply for an exemption under Section 11.251 or 11.252 for cotton stored in the warehouse on behalf of all the owners of the cotton. Provides that cotton stored in a warehouse covered by an exemption granted under this section and transported to another location in this state or outside of this state is presumed to have been transported to another location in this state or outside of this state within the time permitted by Section 1-j or 1-n, rather than Section 1-j, Article VIII, Texas Constitution, for cotton to qualify for an exemption under that section. Makes confirming changes.

SECTION 3. Amends Section 22.01(e), Tax Code, to provide that notwithstanding Subsections (a) and (b), a person is not required to render for taxation cotton that is stored in a warehouse for which an exemption for cotton has been granted under Section 11.437, rather than Section 11.436. Makes conforming changes. Makes a nonsubstantive change.

SECTION 4. Effective date: January 1, 2000.
Makes application of this Act prospective.

SECTION 5. Emergency clause.