

## **BILL ANALYSIS**

Senate Research Center  
83R10590 TJB-D

S.B. 1619  
By: Paxton  
Finance  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Under current law, Texas does not provide an exemption from property taxation for retail inventory. Many states that are top economic competitors with Texas, such as California, Florida, Illinois, Michigan, New York, and Ohio, have exempted retail inventory from property taxation.

The property tax on retail inventory creates an impediment to opening retail stores in Texas, which in turn limits job growth in the state. It also creates an additional tax burden on retailers that other businesses do not have to deal with. For instance, a service business has intangibles that have value such as customer lists, yet such things are not taxed. Retailers, meanwhile, have tangible assets that are taxed, thus creating what could be argued is an unlevel playing field, both in respect to other types of industry in Texas and relation to other competitive states. The amount of property taxes paid on retail inventory by some retailers can be as much as three times the amount those retailers pay in margins tax.

S.B. 1619 provides that a person is entitled to an exemption from taxation by a school district of the appraised value of the person's inventory held for sale at retail. It will not apply to real property. The exemption will also not apply to a dealer's motor vehicle, heavy equipment, vessel and outbound motor, or retail manufactured housing inventory. Enabling legislation (S.J.R. 51, 83rd Legislature, Regular Session, 2013) will constitutionally authorize the legislature to exempt retail inventory from school property tax.

As proposed, S.B. 1619 amends current law relating to the exemption of inventory of certain retail businesses from ad valorem taxation by a school district.

### **RULEMAKING AUTHORITY**

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

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter B, Chapter 11, Tax Code, by adding Section 11.35, as follows:

Sec. 11.35. RETAIL INVENTORY. (a) Entitles a person to an exemption from taxation by a school district of the appraised value of the person's inventory held for sale at retail.

(b) Provides that the exemption provided by Subsection (a) does not apply to:

- (1) real property;
- (2) a dealer's motor vehicle inventory, as defined by Section 23.121 (Dealer's Motor Vehicle Inventory; Value);
- (3) a dealer's heavy equipment inventory, as defined by Section 23.1241 (Dealer's Heavy Equipment Inventory; Value);

(4) a dealer's vessel and outboard motor inventory, as defined by Section 23.124 (Dealer's Vessel and Outboard Motor Inventory; Value); or

(5) retail manufactured housing inventory, as defined by Section 23.127 (Retail Manufactured Housing Inventory; Value).

SECTION 2. Amends Section 403.302(d), Government Code, to redefine, for the purposes of this section, "taxable value."

SECTION 3. Provides that this Act applies only to an ad valorem tax year that begins on or after the effective date of this Act.

SECTION 4. Effective date: January 1, 2014, contingent upon passage of the constitutional amendment authorizing the legislature to exempt from ad valorem taxation certain retail inventory.