

BILL ANALYSIS

Senate Research Center
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S.B. 730
By: Bettencourt
Finance
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.B. 730 increases the minimum amount of tangible personal property that is exempt from rendition and assessment for property taxes from \$500 to \$2,500. The exemption is provided because the actual cost of appraising and assessing taxes on a business with tangible personal property worth less than \$2,500 is greater than the property tax revenue due on that property. The current limit of \$500 was set in 1995 and has not been increased since then.

Small businesses form an important part of our state economy and S.B. 730 will provide relief from the fiscal and administrative burden of paying property taxes of their business personal property for Texas' smallest businesses. At the same time, appraisal districts and tax assessors could put their resources to better use on accounts that will generate more revenue for taxing units.

All types of taxing units would be affected by S.B. 730. However, the revenue loss in any given taxing unit should be almost nonexistent. Again, since the cost of appraisal and collection exceeds the tax revenue received, collections made on these accounts are done at a net loss to the taxing unit.

S.B. 730 does not need a constitutional amendment to authorize the legislature to increase the minimum amount exempt from taxation and rendition. Article 8, Section 1(g), Subsection (g) of the Texas Constitution already gives the legislature the authority to exempt tangible personal property used to produce income when the value of the property is insufficient to cover the cost of collection.

As proposed, S.B. 730 amends current law relating to the exemption from ad valorem taxation of income-producing tangible personal property having a value of less than a certain amount.

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 the heading to Section 11.145, Tax Code, to read as follows:

Sec. 11.145. INCOME-PRODUCING TANGIBLE PERSONAL PROPERTY HAVING VALUE OF LESS THAN \$2,500.

SECTION 2. Amends Section 11.145(a), Tax Code, to provide that a person is entitled to an exemption from taxation of the tangible personal property the person owns that is held or used for the production of income if that property has a taxable value of less than \$2,500, rather than less than \$500.

SECTION 3. Makes the application of this Act prospective.

SECTION 4. Effective date: January 1, 2018.