

## Legislative Update

### H.B. 621 – Another Business Property Tax Exemption

While state leaders accused counties of over-taxing homeowners, the legislature passed more legislation to shift additional tax burdens on homeowners by exempting certain property from taxation. H.B. 621 by Rep. Chavez and Senator Duncan would provide a “goods-in-transit” exemption for most tangible personal property stored off-site in a warehouse or other storage facility. However, it does provide an opportunity for the county to opt out of the exemption.

Efforts by commercial-interest lobbyists to gain exemptions for business personal property have led to several constitutional amendments. In 2001, the voters approved section 1-n to Article VIII, authorizing the legislature to exempt business personal property stored off the owner’s premises with certain exemptions. Effective January 1, 2008, H.B. 621 will implement this exemption unless the taxing authority conducts a public hearing and adopts an order to continue taxing the property.

Since the legislation broadly defines tangible personal property held in storage, it is difficult to analyze the potential effect on the tax roll. It will certainly encourage businesses to lease storage for parts, merchandise, equipment, machinery, materials, and other components to claim the exemption. Determining the value of the goods and components will place an additional burden on the appraisal district.

Each taxing unit may determine whether to tax these “goods-in-transit” by taking action before January 1. The action may be reconsidered each year. If your county wishes to prevent the automatic implementation of this exemption, the Commissioners Court must: (1) give notice and conduct a hearing on whether to continue to tax this property; (2) adopt an Order to Continue Taxation and deliver a copy of the Order to the Appraisal District. I recommend that the Notice be published at least twice with the first publication at 10 days before the hearing. A sample Notice and Order are included below.

NOTICE OF PUBLIC HEARING ON  
TAXATION OF PERSONAL PROPERTY IN TRANSIT  
\_\_\_\_\_ COUNTY, TEXAS  
(DAY), (DATE), (TIME)  
(LOCATION) \_\_\_\_\_ COUNTY COURTHOUSE  
(CITY), TEXAS

Notice is hereby given in compliance with Subchapter B, Chapter 11, Section 11.253, of the Texas Tax Code and Article VIII, Sec. 1-n(d) of the Texas Constitution that the Commissioners Court of \_\_\_\_\_ County, Texas, at its meeting at the above-named time, date, and location, will conduct a Public Hearing on the adoption of an Order to tax tangible personal property in transit which would otherwise be exempt pursuant to Sec. 11.253 of the Texas Tax Code. This action relates to whether certain tangible personal property held temporarily at a location in this state for assembling, storing, manufacturing, processing or fabricating purposes (goods-in-transit) shall remain subject to taxation by \_\_\_\_\_ County.

ORDER NO. \_\_\_\_\_

AN ORDER OF \_\_\_\_\_ COUNTY TO TAX TANGIBLE PERSONAL  
PROPERTY IN TRANSIT WHICH WOULD OTHERWISE BE EXEMPT  
PURSUANT TO TEXAS TAX CODE, SECTION 11.253

WHEREAS, the 80<sup>th</sup> Texas Legislature in Regular Session enacted House Bill 621, effective January 1, 2008, which added Tex. Tax Code § 11.253 to exempt from taxation certain tangible personal property held temporarily at a location in this state for assembling, storing, manufacturing, processing or fabricating purposes (goods-in-transit) which property has been subject to taxation in the past; and

WHEREAS, Tex. Tax Code § 11.253(j) as amended allows the governing body of a taxing unit, after conducting a public hearing, to provide for the continued taxation of such goods-in-transit; and

WHEREAS, the Commissioners Court of \_\_\_\_\_ County, having conducted a public hearing as required by Section 1-n(d), Article VIII, Texas Constitution, is of the opinion that it is in the best interests of the county to continue to tax such goods-in-transit.

NOW THEREFORE, BE IT ORDERED BY THE COMMISSIONERS COURT OF \_\_\_\_\_ COUNTY THAT: All goods-in-transit, as defined Tex. Tax Code 11.253 shall remain subject to taxation by \_\_\_\_\_ County, Texas.

Dated this \_\_\_\_ day of \_\_\_\_\_, 2007.

\_\_\_\_\_  
County Judge

Attest:

\_\_\_\_\_  
County Clerk

*For more information, please call me at 1-800-733-0699*

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