

BILL ANALYSIS

C.S.H.J.R. 133
By: Harper-Brown
Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Current law exempts from property taxation freeport goods that are present in the state for only a limited period. Interested parties contend that this limited window has unintentionally put key sectors of the Texas aerospace industry, which contributes billions to the Texas economy and provides thousands of jobs, at a competitive disadvantage. The parties note that, because of the complexity of today's high-tech manufacturing processes and the fact that aerospace suppliers require inventory to be onsite for much longer periods than the law allows for a freeport exemption, companies must sometimes consider out-of-state options for storage of inventory, outsourcing some parts of their manufacturing processes, or relocating their entire operation to another state.

C.S.H.J.R. 133 seeks to provide tax relief to manufacturers who must hold aircraft parts in inventory for extended periods to support the design, assembly, completion, and shipment of complex goods.

RULEMAKING AUTHORITY

It is the committee's opinion that this resolution does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.J.R. 133 proposes an amendment to the Texas Constitution to authorize the governing body of a political subdivision of this state, in the manner provided by law for official action, to extend the date by which aircraft parts exempted from property taxation because of their temporary location in Texas must be transported outside Texas for that property to qualify for the exemption to a date not later than the 730th day after the date the person acquired or imported the aircraft parts in Texas. The resolution limits the application of such an extension to the exemption from property taxation by the political subdivision adopting the extension. The resolution authorizes the legislature by general law to provide the manner by which the political subdivision's governing body may extend the period. The resolution adds a temporary provision, set to expire January 1, 2015, making the resolution's provisions effective January 1, 2014, and applicable only to a tax year that begins on or after that date.

ELECTION DATE

The constitutional amendment proposed by this joint resolution will be submitted to the voters at an election to be held November 5, 2013.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.J.R. 133 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and highlighted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the resolution.

INTRODUCED

SECTION 1. Section 1-j, Article VIII, Texas Constitution, is amended by amending Subsection (a) and adding Subsection (d) to read as follows:

(a) To promote economic development in the State, goods, wares, merchandise, other tangible personal property, and ores, other than oil, natural gas, and other petroleum products, are exempt from ad valorem taxation by a political subdivision of this State if:

(1) the property is acquired in or imported into this State to be forwarded outside this State, whether or not the intention to forward the property outside this State is formed or the destination to which the property is forwarded is specified when the property is acquired in or imported into this State;

(2) the property is detained in this State for assembling, storing, manufacturing, processing, or fabricating purposes by the person who acquired or imported the property; and

(3) the property is transported outside of this State not later than:

(A) 175 days after the date the person acquired or imported the property in this State; or

(B) a later date established by the governing body of the political subdivision under Subsection (d) of this section.

(d) The governing body of a political subdivision, in the manner provided by law for official action, may extend the date by which **property** exempted from ad valorem taxation under this section must be transported outside the State to a date not later than the 730th day after the date the person acquired or imported the **property** in this State. An extension adopted by official action under this subsection applies only to the exemption from ad valorem taxation by the political subdivision adopting the extension. The legislature by general law may provide the manner by which the governing body may extend the period of time as authorized by this subsection.

SECTION 2. Section 1-n, Article VIII,

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Section 1-j, Article VIII, Texas Constitution, is amended by amending Subsection (a) and adding Subsection (d) to read as follows:

(a) To promote economic development in the State, goods, wares, merchandise, other tangible personal property, and ores, other than oil, natural gas, and other petroleum products, are exempt from ad valorem taxation by a political subdivision of this State if:

(1) the property is acquired in or imported into this State to be forwarded outside this State, whether or not the intention to forward the property outside this State is formed or the destination to which the property is forwarded is specified when the property is acquired in or imported into this State;

(2) the property is detained in this State for assembling, storing, manufacturing, processing, or fabricating purposes by the person who acquired or imported the property; and

(3) the property is transported outside of this State not later than:

(A) 175 days after the date the person acquired or imported the property in this State; or

(B) if applicable, a later date established by the governing body of the political subdivision under Subsection (d) of this section.

(d) The governing body of a political subdivision, in the manner provided by law for official action, may extend the date by which **aircraft parts** exempted from ad valorem taxation under this section must be transported outside the State to a date not later than the 730th day after the date the person acquired or imported the **aircraft parts** in this State. An extension adopted by official action under this subsection applies only to the exemption from ad valorem taxation by the political subdivision adopting the extension. The legislature by general law may provide the manner by which the governing body may extend the period of time as authorized by this subsection.

No equivalent provision.

Texas Constitution, as proposed by S.J.R. 6, 77th Legislature, Regular Session, 2001, is amended by amending Subsection (a) and adding Subsection (f) to read as follows:

(a) To promote economic development in this state, the legislature by general law may exempt from ad valorem taxation by a political subdivision of this state goods, wares, merchandise, other tangible personal property, and ores, other than oil, natural gas, and other petroleum products, if:

(1) the property is acquired in or imported into this state to be forwarded to another location in this state or outside this state, whether or not the intention to forward the property to another location in this state or outside this state is formed or the destination to which the property is forwarded is specified when the property is acquired in or imported into this state;

(2) the property is detained at a location in this state that is not owned or under the control of the property owner for assembling, storing, manufacturing, processing, or fabricating purposes by the person who acquired or imported the property; and

(3) the property is transported to another location in this state or outside this state not later than:

(A) 270 days after the date the person acquired the property in or imported the property into this state; or

(B) a later date established by the governing body of the political subdivision under Subsection (f) of this section.

(f) The governing body of a political subdivision, in the manner provided by law for official action, may extend the date by which property exempted from ad valorem taxation under this section must be transported outside the state to a date not later than the 730th day after the date the person acquired the property in or imported the property into this state. An extension adopted by official action under this subsection applies only to the exemption from ad valorem taxation by the political subdivision adopting the extension. The legislature by general law may provide the manner by which the governing body may extend the period of time as authorized by this subsection.

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SECTION 3. The following temporary provision is added to the Texas Constitution:

TEMPORARY PROVISION. (a) This temporary provision applies to the constitutional amendment proposed by the 83rd Legislature, Regular Session, 2013, to authorize a political subdivision of this state to extend the number of days that certain tangible personal property that is exempt from ad valorem taxation due to its location in this state for a temporary period may be located in this state for purposes of qualifying for the tax exemption.

(b) The amendments to Sections 1-j(a) and 1-n(a), Article VIII, of this constitution and the addition of Sections 1-j(d) and 1-n(f), Article VIII, to this constitution take effect January 1, 2014, and apply only to a tax year that begins on or after that date.

(c) This temporary provision expires January 1, 2015.

SECTION 4. This proposed constitutional amendment shall be submitted to the voters at an election to be held November 5, 2013. The ballot shall be printed to permit voting for or against the proposition: "The constitutional amendment to authorize a political subdivision of this state to extend the number of days that certain tangible personal property that is exempt from ad valorem taxation due to its location in this state for a temporary period may be located in this state for purposes of qualifying for the tax exemption."

SECTION 2. The following temporary provision is added to the Texas Constitution:

TEMPORARY PROVISION. (a) This temporary provision applies to the constitutional amendment proposed by the 83rd Legislature, Regular Session, 2013, to authorize a political subdivision of this state to extend the number of days that aircraft parts that are exempt from ad valorem taxation due to their location in this state for a temporary period may be located in this state for purposes of qualifying for the tax exemption.

(b) The amendment to Section 1-j(a), Article VIII, of this constitution and the addition of Section 1-j(d), Article VIII, to this constitution take effect January 1, 2014, and apply only to a tax year that begins on or after that date.

(c) This temporary provision expires January 1, 2015.

SECTION 3. This proposed constitutional amendment shall be submitted to the voters at an election to be held November 5, 2013. The ballot shall be printed to permit voting for or against the proposition: "The constitutional amendment to authorize a political subdivision of this state to extend the number of days that aircraft parts that are exempt from ad valorem taxation due to their location in this state for a temporary period may be located in this state for purposes of qualifying for the tax exemption."