

## **BILL ANALYSIS**

C.S.H.B. 2714  
By: Bohac  
Ways & Means  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Interested parties suggest that the exemption from property taxation of leased motor vehicles that are not held primarily for the production of income by the lessee is inconsistently administered by appraisal districts. C.S.H.B. 2714 seeks to clarify certain exemption procedures for appraisers and ensure equal tax treatment of vehicles leased by the state, political subdivisions, and certain nonprofit organizations.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

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

### **ANALYSIS**

C.S.H.B. 2714 amends the Tax Code to include the following as criteria indicating whether a leased motor vehicle is used primarily for activities that do not involve the production of income, for purposes of an exemption from property taxation of the vehicle: the motor vehicle is leased to the state or a political subdivision of the state or the motor vehicle is leased to a charitable organization exempted from federal income tax under the federal Internal Revenue Code of 1986, is used exclusively by the organization for religious, educational, or charitable purposes, and would be exempt from taxation if the vehicle were owned by the organization. The bill requires the exemption application form to require a lessee that is such an entity to provide the lessee's name, address, and, if applicable, federal tax identification number and requires the authorized representative of such a lessee to certify under oath that the lessee does not hold the vehicle for the production of income and that the vehicle is used primarily for activities that do not involve the production of income.

### **EFFECTIVE DATE**

September 1, 2017.

### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 2714 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

SECTION 1. The heading to Section 11.252, Tax Code, is amended.

SECTION 2. Sections 11.252(b) and (d), Tax Code, are amended to read as follows:

(b) For purposes of this section, a motor vehicle is presumed to be used primarily for activities that do not involve the production of income if:

(1) 50 percent or more of the miles the motor vehicle is driven in a year are for non-income producing purposes;

(2) the motor vehicle is leased to this state or a political subdivision of this state; or

(3) the motor vehicle:

(A) is leased to an organization that is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c)(3) of that code; and

(B) is used exclusively by the organization for religious, educational, or charitable purposes.

(d) In connection with the requirements and procedures under Subsection (c), the comptroller by rule shall adopt a form to be completed by the lessee of a motor vehicle for which the owner of the vehicle may apply for an exemption under Subsection (a). The form shall require a the lessee who is an individual to provide the lessee's name, address, and driver's license or personal identification certificate number. The form shall require a lessee that is an entity described by Subsection (b) to provide the lessee's name, address, and, if applicable, federal tax identification number. The form shall require a lessee who is an individual, or the authorized representative of a lessee that is an entity described by Subsection (b), ~~and~~ to certify under oath that the lessee does not hold the vehicle for the production of income and that the vehicle is used primarily for activities that do not involve the production of income. The comptroller shall include on the form a notice of the penalties prescribed by Section 37.10, Penal Code, for making a false statement on the form.

SECTION 3. The changes in law made by

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Same as introduced version.

SECTION 2. Sections 11.252(b) and (d), Tax Code, are amended to read as follows:

(b) For purposes of this section, a motor vehicle is presumed to be used primarily for activities that do not involve the production of income if:

(1) 50 percent or more of the miles the motor vehicle is driven in a year are for non-income producing purposes;

(2) the motor vehicle is leased to this state or a political subdivision of this state; or

(3) the motor vehicle:

(A) is leased to an organization that is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c)(3) of that code;

(B) is used exclusively by the organization for religious, educational, or charitable purposes; and

~~(C) would be exempt from taxation if the vehicle were owned by the organization.~~

(d) In connection with the requirements and procedures under Subsection (c), the comptroller by rule shall adopt a form to be completed by the lessee of a motor vehicle for which the owner of the vehicle may apply for an exemption under Subsection (a). The form shall require a the lessee who is an individual to provide the lessee's name, address, and driver's license or personal identification certificate number. The form shall require a lessee that is an entity described by Subsection (b) to provide the lessee's name, address, and, if applicable, federal tax identification number. The form shall require a lessee who is an individual, or the authorized representative of a lessee that is an entity described by Subsection (b), ~~and~~ to certify under oath that the lessee does not hold the vehicle for the production of income and that the vehicle is used primarily for activities that do not involve the production of income. The comptroller shall include on the form a notice of the penalties prescribed by Section 37.10, Penal Code, for making a false statement on the form.

SECTION 3. Same as introduced version.

this Act apply only to ad valorem taxes imposed for a tax year beginning on or after the effective date of this Act.

SECTION 4. This Act takes effect September 1, 2017.

SECTION 4. Same as introduced version.