

SUBJECT: Ad valorem tax exemptions for travel trailers

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 7 ayes — Oliveira, McCall, Hartnett, Y. Davis, Keffer, Ramsay, Ritter
0 nays
4 absent — Craddick, Bonnen, Heflin, Hilbert

WITNESSES: For — Allen Beadel, Brian Schaeffer, Texas Association of Campground Owners; Betty Lou Strickland, Texas Recreational Vehicle Association; Edwin D. Welliver, Texas Recreational Vehicle Association/Texas Association of Campground Owners

Against — None

On — Michael Amezquita, Cameron Appraisal District/Texas Association of Appraisal Districts/Metro Council of Appraisal Districts; Dan Wilson, Comptroller of Public Accounts

BACKGROUND: Tax Code, subchapter B provides exemptions to the property tax. Sec. 11.14(a) allows taxing units to grant property tax exemptions to non-income-producing tangible personal property, other than manufactured homes.

DIGEST: CSHJR 44 would amend the Texas Constitution, Art. 8, sec. 1, to allow the Legislature to authorize taxing units other than school districts to grant property tax exemptions to owners of registered, non-income-producing travel trailers, regardless of whether they were real or personal property.

The proposed amendment would take effect January 1, 2002.

The proposal would be presented to the voters at an election on November 6, 2001. The ballot proposal would read: “The constitutional amendment to authorize the legislature to authorize taxing units other than school districts to exempt from ad valorem taxation travel trailers that are not held or used for the production of income.”

SUPPORTERS
SAY:

In recent years, travel trailers have become increasingly popular in Texas as recreational vehicles and winter homes, especially in Hidalgo and Cameron counties. The Comptroller's Office estimates that more than 160,000 travel trailers are registered in Texas. According to the Texas Association of Campground Owners, "winter Texans" average 70,000 per year in the Lower Rio Grande Valley, contributing more than \$165 million to local economies, excluding travel expenses. Some of them live in their trailers six months out of the year yet retain their mobility. Many make significant social contributions to their communities.

This influx of non-permanent residents has created uncertainty about the ad valorem tax treatment of travel trailers. Two recent attorney general (AG) opinions have compounded the problem. Opinion No. JC-0150 (December 8, 1999) upheld taxation of travel trailers as personal property. The opinion also stated that the Texas Constitution does not expressly forbid double taxation. Opinion No. JC-0282 (September 7, 2000) held that the Tax Code does not preclude taxation of travel trailers as real property improvements if they have been affixed to someone else's land.

CSHJR 44 would permit the Legislature to allow by local option either taxation or exemption of travel trailers, at local entities' discretion. It would clarify the property tax statutes and remove appraisal subjectivity by allowing local taxing entities to exempt travel trailers, regardless of whether they were real or personal property. Travel trailer owners already pay sales taxes when they purchase their trailers. They also must pay annual registration fees in order to move or sell them. Taxing them again as property is excessive, if not double taxation.

Allowing local exemptions would bring uniformity to the appraisal process. Some appraisers do not appraise travel trailers as taxable property at all; some tax them as real property, especially if they have erected carports or attached rooms; some tax them as monthly tenants; some tax them as personal property. Compounding the problem are park model trailers, whose designs are somewhat similar to mobile homes. Such inconsistency of tax administration across counties is inequitable and detrimental to the state and local economies. It also has led to class action lawsuits in Hidalgo and Cameron counties that the proposed exemption would bring to an end.

Not only do property taxes on travel trailers hinder tourism and economic development in an area of the state sorely needing both, but they also penalize a productive class of residents, most of whom are on fixed incomes and contribute positively to their adopted homes. Cameron County realizes about \$1 million in annual tax revenue from travel trailers, and Hidalgo County receives about \$1.4 million annually. But continued taxation, especially if not applied fairly and uniformly, threatens to reduce the population, as such taxes have in other southwestern states. Recreational vehicle tourism is down 8 percent in the Valley, and half of those surveyed cited property taxes as their reason for leaving. The economic benefits of keeping them here would outweigh the benefits of their tax revenue.

Any exemptions would be entirely discretionary on the part of local taxing entities. Furthermore, the entities would not be precluded from making travel trailers taxable by enacting specific ordinances or orders to do so. School districts would be precluded from exempting travel trailers, so there would be no negative school finance ramifications.

OPPONENTS
SAY:

Allowing these exemptions would create a special class of homeowner. Travel trailers may be occupied indefinitely. If owners live in them, they should be taxed as real property, like manufactured homes.

The AG has held that travel trailers are personal property and, if affixed to real estate, may be considered real property as improvements. The problem is lack of guidance for appraisers on applying the statutes, not the statutes themselves. The Legislature should define more specifically what constitutes a taxable residence, as it has with manufactured homes. The Valley also needs local tax revenue to expand and enhance basic services being stretched by a growing population. Semi-permanent residents who use those services should pay their fair share.

OTHER
OPPONENTS
SAY:

This exemption would not give travel trailer owners significant tax relief because it would not exempt their trailers from school property taxes, which comprise the bulk of their tax bills. School districts should be allowed the same discretion as other taxing entities.

NOTES:

The original version of HJR 44 would have authorized the Legislature by general law, rather than local taxing units (except school districts), to exempt travel trailers from ad valorem taxation.

The enabling legislation, HB 2076 by Flores, on today's General State Calendar, would define travel trailers as camper trailers or house trailer-type vehicles, regardless of whether they were affixed to real estate. They would have to be less than 400 square feet in area and designed primarily as temporary living quarters for travel or recreational or seasonal use, not as permanent dwellings. It would allow exemption of travel trailers in compliance with state vehicle registration laws and those registered on January 1 of applicable tax years.

The companion proposal, SJR 11 by Lucio, is pending before the Senate Finance Committee.