

BILL ANALYSIS

Senate Research Center
79R6989 SMH-D

H.J.R. 65
By: Otto (Williams)
Finance
5/19/2005
Engrossed

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

Currently, the Texas Constitution exempts from ad valorem taxation household goods not held or used for the production of income. This provision has been interpreted to not apply to a person who rents or leases household goods, even though the lessee is not using the property for the production of income. This disparate tax treatment discriminates against people who choose to purchase household goods by leasing with an option to buy.

The inventory of a merchant who leases household goods is subject to ad valorem taxation. However, each taxing district in the state determines the depreciation rate for this inventory and the rates differ from district to district. A fair and uniform depreciation rate is needed to prevent confusion and disparate treatment.

As proposed, H.J.R. 65 amends the Texas Constitution by allowing the legislature to exempt from ad valorem taxation tangible personal property intended for personal use within the home that is subject to a rent-to-own contract. H.J.R. 65 also allows the legislature to prescribe the method to be used to depreciate tangible personal property of the type used within the home but not yet leased by a rent to-own-dealer. H.J.R. 65 allows for complete depreciation of the property over a period of not less than three years.

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 Section 1, Article VIII, Texas Constitution, by amending Subsections (d) and (e), and adding Subsection (j), as follows:

(d) Authorizes the Legislature by general law to exempt from ad valorem taxation, subject to Subsection (e) of this section, tangible personal property of a type intended for personal use within the home that is subject to a rent-to-own contract, is not held primary for the production of income by the lessee, and otherwise qualifies under general law for exemption.

(e) Makes conforming changes.

(j) Authorizes the Legislature by general law to prescribe the method to be used to depreciate tangible personal property for the purpose of appraising the property for ad valorem taxation if the property is of a type intended for personal use within the home and is owned by a dealer engaged in the business of leasing that type of property to customers under rent-to-own contracts. Authorizes the method to provide for the complete depreciation of the property over a period of not less than three years.

SECTION 2. Requires this proposed constitutional amendment to be submitted to the voters at an election to be held November 8, 2005. Requires the ballot to be printed to permit voting for or against the specific proposition.