

BILL ANALYSIS

Senate Research Center
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S.J.R. 51
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Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Under current law, Texas does not provide an exemption from property taxation for retail inventory. Many states that are top economic competitors with Texas, such as California, Florida, Illinois, Michigan, New York, and Ohio have exempted retail inventory from property taxation.

The property tax on retail inventory creates an impediment to opening retail stores in Texas, which in turn limits job growth in the state. It also creates an additional tax burden on retailers that other businesses do not have to deal with. For instance, a service business has intangibles that have value such as customer lists, yet such things are not taxed. Retailers, meanwhile, have tangible assets that are taxed, thus creating what could be argued is an unlevel playing field, both in respect to other types of industry in Texas and relation to other competitive states. The amount of property taxes paid on retail inventory by some retailers can be as much as three times the amount those retailers pay in margins tax.

S.J.R. 51 will constitutionally authorize the legislature to exempt retail inventory from school property tax. Enabling legislation (S.B. 1619, 83rd Legislature, Regular Session, 2013) provides that a person is entitled to an exemption from taxation by a school district of the appraised value of the person's inventory held for sale at retail. It will not apply to real property. The exemption will also not apply to a dealer's motor vehicle, heavy equipment, vessel and outbound motor, or retail manufactured housing inventory.

S.J.R. 51 proposes a constitutional amendment to authorize the legislature to exempt from ad valorem taxation by one or more political subdivisions of this state a person's inventory held for sale at retail.

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 Article VIII, Texas Constitution, by adding Section 1-p, as follows:

Sec. 1-p. Authorizes the legislature by general law to exempt from ad valorem taxation by one or more political subdivisions of this state a person's inventory held for sale at retail, as defined by general law.

SECTION 2. Requires that the proposed constitutional amendment be submitted to the voters at an election to be held November 5, 2013. Sets forth the required language of the ballot.