

BILL ANALYSIS

Senate Research Center

S.B. 58
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Property Tax
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Current law is ambiguous regarding the applicability of the property tax exemption for leased vehicles for personal use when the lessee is the state, a local political subdivision, or a non-profit organization. Accordingly, some local taxing entities provide this exemption to non-profit and governmental entities while others do not. To qualify for the exemption, a vehicle must not be used for the production of income. Vehicles leased by government and non-profit entities meet this requirement, but because the definition of "lessee" in statute is unclear, some appraisal districts interpret it to cover only persons, not entities. What's more, because government and non-profit entities already are exempt from paying property tax on vehicles they own, the ambiguity regarding leased vehicles creates an arbitrary incentive for them to purchase vehicles. This, in turn, deprives these entities of the potential financial benefits of leasing vehicles instead of buying them, including lower maintenance costs and higher fuel efficiency.

S.B. 58 would clarify that the tax exemption for motor vehicles leased for personal use also applies to vehicles leased by the state, local political subdivisions, and non-profits with 501(c)(3) status. This would ensure the tax is levied consistently throughout the state and eliminate the arbitrary distinction in the Tax Code between vehicles that are owned by the state, local political subdivisions, and non-profits and those that they lease, allowing these entities to choose the most fiscally responsible option. (Original Author's/Sponsor's Statement of Intent)

S.B. 58 amends current law relating to the exemption from ad valorem taxation of leased motor vehicles that are not held primarily for the production of income by the lessee.

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 the heading to Section 11.252, Tax Code, to read as follows:

Sec. 11.252. MOTOR VEHICLES LEASED FOR USE OTHER THAN PRODUCTION OF INCOME.

SECTION 2. Amends Sections 11.252(b), (d), and (e), Tax Code, as follows:

(b) Provides that, 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) creates this subdivision from existing text and makes a nonsubstantive change;
- (2) the motor vehicle is leased to this state or a political subdivision of this state;
or
- (3) the motor vehicle 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 would be exempt from taxation if the vehicle were owned by the organization.

(d) Requires the form for applications for exemption adopted by the comptroller of public accounts of the State of Texas to require a lessee who is an individual, rather than the lessee, to provide the lessee's name, address, and driver's license or personal identification certificate number. Requires the form to 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. Requires the form to require a lessee who is an individual, or the authorized representative of a lessee that is an entity described by Subsection (b), to certify under oath that the lessee does not hold the vehicle for the production of income and that the vehicle is primarily for activities that do not involve the production of income. Makes a nonsubstantive change.

(e) Requires the owner of a motor vehicle that is subject to a lease to maintain the form, an electronic image of the form, or a certified copy of the form completed by the lessee of the vehicle and make the form, electronic image, or certified copy available for inspection and copying by the chief appraiser of the applicable appraisal district at all reasonable times. Provides that, if the owner does not maintain a completed form, electronic image of the completed form, or certified copy of the completed form relating to the vehicle, the owner is required to take certain actions and is prohibited from filing an application for an exemption for the vehicle.

SECTION 3. Makes application of this Act prospective.

SECTION 4. Effective date: upon passage or September 1, 2019.