

BILL ANALYSIS

Senate Research Center

S.B. 1435
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Finance
4/9/1999
As Filed

DIGEST

Currently, heavy equipment dealers who lease equipment out on a lease-purchase agreement are taxed under the old January 1 inventory system and taxed under the new system of heavy equipment property tax appraisal created by the 75th Legislature (new assessment system) when the sale is finalized. Heavy equipment dealers who have fewer sales in the current year than in the previous year can end up with an escrow account that is short by a large amount because they are held accountable for the previous year's appraised value. Providing for an appraised value based on current year sales would create a system outside the current calendar.

S.B. 1435 would bring lease agreements into the new assessment system, define market value, require the chief appraiser to change the appraisal records before January 20 if the current year's statements show that there are lower sales in the current year than in the previous year, and require the chief appraiser to notify collectors and taxing units of accounts in which values are lowered.

PURPOSE

As proposed, S.B. 1435 sets forth guidelines for the appraisal and ad valorem taxation of heavy equipment.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subdivisions (2) and (7), Section 23.1241(a), Tax Code, to define "dealer's heavy equipment" and "sales price."

SECTION 2. Amends Subdivisions (b), (d), and (f), Section 23.1241, Tax Code, to provide that the market value of a dealer's heavy equipment inventory on January 1 is the lesser of the total annual sales, less sales to dealers, fleet transactions, and subsequent sales, for the 12-month period corresponding to the preceding tax year or the current tax year, divided by 12. Provides that property held by a dealer is appraised as provided by other sections of this code, except for a dealer's heavy equipment inventory, including items of heavy equipment that are held for sale subject to a lease-purchase agreement, rental option, or lease purchase option. Provides that a declaration required to be filed with the chief appraiser is sufficient if it sets forth that the market value of the declarant's heavy equipment inventory for the current tax year as computed under Subsection (b)(1).

SECTION 3. Amends Subsection (h), Section 23.1242, Tax Code, to require a collector to apply all money in an owner's escrow account to the taxes imposed and deliver a tax receipt to the owner, immediately on receiving the notice required by Section 25.25(n).

SECTION 4. Amends Section 25.25, Tax Code, by adding Subsections (n) and (o), to require the chief appraiser to change the appraisal roll to correct the market value of a heavy equipment dealer who has filed heavy equipment inventory tax statements for the 12-month period corresponding to the current tax year and whose market value is determined under Section 23.1241(b)(2), before January 20. Requires the chief appraiser to notify the collector required to administer the provisions of Section 23.1242 and affected taxing units of the corrected amounts before January 20. Requires the chief appraiser to submit to the appraisal review board and to the board of directors of the appraisal district a written report, required to include certain information regarding property, of each change made, before the 10th day after the end of

each calender quarter. Requires the chief appraiser to change the appraisal roll to reflect the corrected market value if the chief appraiser determines that the dealer's market value should be corrected under Section 23.1241(b)(2).

SECTION 5. Effective date: September 1, 1999.

Provides that this Act applies to the appraisal of heavy equipment for ad valorem tax purposes for each tax year that begins on or after January 1, 1999.

SECTION 6. Emergency clause.