

## **BILL ANALYSIS**

Senate Research Center

C.S.S.B. 1435  
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Finance  
4/19/1999  
Committee Report (Substituted)

### **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. C.S.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, C.S.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 (6), Section 23.1241(a), Tax Code, to define "dealer's heavy equipment" and "heavy equipment."

SECTION 2. Amends Subdivisions (b) 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, and a sale is considered to occur when ownership of an item of heavy equipment is transferred from the dealer to the purchaser. Provides that the declaration is sufficient if it sets forth certain provisions, including the market value of the declarant's heavy equipment inventory for the current tax year as computed under Subsection (b)(1)(A).

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)(1)(B), 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 of each change made under this subsection, before the 10th day after the end of each calendar quarter. Requires the report to include a description of each property, and the name of the owner of that property. Requires the chief appraiser to change the appraisal roll to reflect the corrected market value, if the chief appraiser has examined the books and records of a heavy equipment dealer whose appraised value is determined under

Section 23.1241(b)(1)(B) and, on conclusion of the examination, has determined that the dealer's market value should be corrected.

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.

## **SUMMARY OF COMMITTEE CHANGES**

### SECTION 1.

Amends Subdivision (6), Subsection (a), Section 23.1241, Tax Code, to add the definition of "heavy equipment."

Deletes Subdivision (7), Subsection (a), Section 23.1241, Tax Code, and the definition of "sales price."

### SECTION 2.

Amends Subsection (b), Section 23.1241, Tax Code, to provide that for the purpose of the computation of property tax a sale is considered to occur when ownership of an item of heavy equipment is transferred from the dealer to the purchaser. Makes conforming changes.

Amends Subsection (f), Section 23.1241, Tax Code, to provide that the declaration is sufficient to comply with this subsection, if it sets forth the market value of the declarant's heavy equipment inventory for the current tax year as computed under Subsection (b)(1)(A).

Deletes proposed changes to Subsection (d), Section 23.1241, Tax Code.

### SECTION 4.

Amends Section 25.25, Tax Code, 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)(1)(B), before January 20. Makes a conforming change.