

**SUBJECT:** Exempting low-yield property, mineral interests from ad valorem taxation

**COMMITTEE:** Ways and Means — committee substitute recommended

**VOTE:** 8 ayes — Craddick, Wolens, Finnell, Heflin, Horn, Marchant, Place, Romo  
0 nays  
3 absent — Holzheuser, T. Hunter, Oliveira

**WITNESSES:** For — W. Kenneth Nolan, Dallas Central Appraisal District; George H. Moff; David Luther; Bill Allaway, Texas Association of Taxpayers  
Against — None  
On — Frank Battle, Texas Association of School Boards

**BACKGROUND:** Taxing authorities are required by law to assess and collect ad valorem taxes for income-producing tangible personal property, regardless of its value, unless subject to a specific exemption.

**DIGEST:** HB 366 would exempt from property taxes income-producing tangible personal property and mineral interests that have a taxable value of less than \$500. Personal property held and used at separate locations in a tax district would be aggregated to determine taxable value. Mineral interests would be aggregated separately. The property owner would not be required to apply for the exemptions.  
  
The bill would take effect January 1, 1996, contingent on the passage of a constitutional amendment (HJR 31) authorizing the exemption.

**SUPPORTERS SAY:** Setting a floor of \$500 for income-producing personal property or \$500 for mineral interests for local taxing authorities to assess taxes on low-value property is a sensible guideline. Generally, these low taxable value accounts fall into one of the following categories:

- samples held by manufacturers;
- consigned goods at craft or antique malls;
- goods held at resale shops;
- business documents stored in mini-warehouses; and
- furniture in office suites wherein the lessor provides secretarial service and equipment.

The constitutional amendment that would authorize the Tax Code provision would apply to property with a value insufficient to cover the cost of administering the tax. A \$500 threshold seems reasonable. The provisions on aggregating property in a district and making the exemption automatic would be a convenience for taxpayers and tax offices alike. The bill would end any statutory requirement that local taxing authorities tax tangible properties or mineral interests with very low taxable values. The taxing entities on the whole suffer a net loss when they administer taxes on values less than \$500

The Dallas County Central Appraisal District estimates that Dallas County would lose \$1.2 million of taxable tangible personal property out of a total tax roll of over \$100 billion. The exempted property generates only \$31,000 in taxes, while costing \$69,583 to appraise, plus billing and collection costs. The Tarrant County Appraisal District estimates a loss of \$273,000 in property value out of a total tax roll over \$44 billion. For the purposes of generating local revenue, these dollar amounts are negligible.

HJR 31, the proposed constitutional authorizing HB 366, would ensure that no exemption could be granted unless the value of the property exempted was too small to allow recovery of the cost of administering the tax that would be collected. Also, the bill would not cause a reduction in school district taxable values as they figure in school finance law.

OPPONENTS SAY: Although the amounts involved may be small, granting any new property tax exemption that could reduce local revenue should be approached cautiously.

NOTES: The committee substitute for HB 366 extended the tax exemption to mineral interests; the original bill applied only to personal property.

Also on the calendar today is HJR 31 by Hartnett, proposing the constitutional amendment authorizing the Legislature to exempt personal property and mineral interest have a value insufficient to recover the administrative costs of collecting the taxes.