

SUBJECT: Exempting \$250,000 of business personal property from taxation

COMMITTEE: Ways & Means — favorable, without amendment

VOTE: 12 ayes — Meyer, Bernal, Button, Capriglione, Gervin-Hawkins, Hickland, Muñoz, Noble, V. Perez, Troxclair, Turner, Vasut

0 nays

1 absent — Martinez Fischer

WITNESSES: For — Jeff Burdett, NFIB; Diego Galicia, Restaurant Mixtli; Glenn Hamer, Texas Association of Business; Robert Wood, Texas Oil & Gas Association, Texas Chemistry Council, Texas Association of Manufacturers; Christy Gessler, Texas Realtors; John McCord, Texas Retailers Association; Jennifer Rabb, Texas Taxpayers and Research Association; (*Registered, but did not testify*: Samuel Sheetz, Americans for Prosperity; Elizabeth Nezda Orr, AT&T; William Peacock, Huffines Liberty Foundation; Travis McCormick, Panhandle Producers & Royalty Owners Association; Chris Newton, Texas Apartment Association; Kyle Mauro, Texas Association of Property Tax Professionals; Drew Fuller, Texas Farm Bureau; Justin Bragiel, Texas Hotel and Lodging Association; Doug Davis, Tom Spilman, Wholesale Beer Distributors of Texas; James Ransdell)

Against — (*Registered, but did not testify*: Maya Grever, Harris County Commissioners Court)

On — Allison Mansfield, Comptroller of Public Accounts; Adam Haynes, Conference of Urban Counties; Travis Ransom, County Judge, County Judges and Commissioners Association of Texas

DIGEST: HB 9 would increase the property tax exemption to \$250,000 for tangible personal property a person owns that is held or used for the production of income (business personal property) and would establish that certain reporting was only required for individuals whose business personal

property was greater than that amount.

Article 1: Provisions contingent on constitutional amendment. HB 9 would amend the property tax exemption for business personal property from an exemption contingent on the business personal property having a taxable value of less than \$2,500 to an exemption of \$250,000 of the appraised value.

The bill would require a person to render business personal property only if, in the person's opinion, the aggregate market value of the property was greater than \$250,000 in at least one taxing unit. A person required to provide a rendition would be required to do so for all business personal property located in an appraisal district. This requirement would not apply to property exempted from taxation by another provision of law.

Article 1 would apply only to tax years beginning on or after January 1, 2025.

Article 2: Provisions not contingent on constitutional amendment. HB 9 would require an appraisal district's chief appraiser to provide a provisional appraisal roll to each local taxing unit to account for the changes in the proposed constitutional amendment as if those changes were in effect. If the proposed constitutional amendment was approved by voters, the provisional appraisal roll would become the appraisal roll for the taxing unit.

The bill would require taxing units to calculate the following as if the changes in the proposed constitutional amendment were in effect for that tax year:

- the total value of taxable property in the taxing unit;
- the no-new-revenue tax rate;
- the voter-approval tax rate; and
- the amount of tax imposed on a person's business personal property.

The assessor for a taxing unit also would be required to calculate the amount of tax imposed on a person's business personal property as if the changes in the proposed constitutional amendment were not in effect for

that tax year.

HB 9 would require the assessor of a taxing unit to mail a provisional tax bill to each person whose taxes would be reduced by the changes in law attributable to the proposed constitutional amendment. The provisional tax bill would be required to include a statement containing certain information, including:

- the amount of the tax bill without the changes in the proposed constitutional amendment;
- the amount of the tax bill with the changes in the proposed constitutional amendment; and
- that the property owner would receive a supplemental tax bill equal to the difference between those amounts if the proposed constitutional amendment was not approved by voters.

The provisional tax bill would be considered a final tax bill for the taxes imposed for the 2025 tax year if the proposed constitutional amendment was approved by voters. Otherwise, the assessor would be required to prepare and mail a supplemental tax bill equal to the difference between the amount if the proposed constitutional amendment were approved and the amount if it were not. The taxes due in the supplemental tax bill would be delinquent if not paid before March 1 of the following year.

The bill would require the assessor for a taxing unit to correct the tax roll for the 2025 tax year to reflect the results of the election to approve the proposed constitutional amendment.

The provisions established by Article 2 would only apply for tax year 2025. These provisions would expire December 31, 2026.

Effective dates. The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2025.

Article 1 would take effect on the date the proposed constitutional amendment took effect if voters approved the amendment. If the amendment was not approved, Article 1 would have no effect.

**SUPPORTERS
SAY:**

HB 9 and the proposed constitutional amendment, HJR 1, would contribute to economic growth and reduce administrative burdens for Texas business owners by authorizing the Legislature to exempt \$250,000 of business personal property from property taxes.

HB 9 would reduce the tax burden on businesses, allowing them to reinvest these savings to expand their operations. HB 9 also would incentivize businesses to move to Texas or remain in the state to take advantage of the exemption. In addition, the bill could reduce the need for businesses to move inventory or equipment to avoid paying business personal property taxes on these items.

Complying with business personal property taxes can be onerous for small businesses, as it requires documenting all assets and reporting acquisition prices and dates and depreciation schedules. The comptroller's tax formulas can be complicated and often overestimate the value of business personal property, while protesting these determinations can be costly and time-consuming. HB 9 would reduce these administrative and compliance burdens for business owners whose business personal property did not exceed \$250,000 in value. Additionally, the bill would reduce administrative burdens for county appraisal districts by reducing the number of businesses on their tax rolls.

While some have suggested that HB 9 would reduce state and local tax revenue, the impact would be minor. Most of the revenue from the business personal property tax comes from a small number of large businesses, which would still be required to pay taxes on all business personal property over \$250,000. Although local governments could experience some reduction in tax revenue, the potential economic benefits resulting from the bill would outweigh these losses.

**CRITICS
SAY:**

HB 9 would negatively impact county and local government revenues. Counties, municipalities, and special districts could have to raise tax rates to cover the loss in property tax revenue caused by the exemption, which could result in redistributing the property tax burden to homeowners.

The bill also could reduce the state's revenue. The tax exemption would reduce property tax revenue for school districts, which the state would

have to make up for through tax compression formulas. Although school districts would not bear the exemption's impact, HB 9 could cause a net loss in general revenue for the state.

HB 9 could encourage business owners to avoid taxes by creating new business entities or spreading inventory across appraisal districts to take advantage of multiple business personal property tax exemptions. Without methods to trace common ownership or coordinate between appraisal districts, a taxing entity would lack the mechanisms to ensure that each taxpayer only received one exemption.

NOTES:

HB 9 is the enabling legislation for HJR 1 by Meyer, which is set for second reading consideration on the Constitutional Amendments Calendar today.

According to the Legislative Budget Board, the bill would have a negative impact of \$566,354,000 to general revenue related funds through fiscal 2026-27.