

SUBJECT: Exempting animal feed held for retail sale from property tax

COMMITTEE: Ways & Means — favorable, without amendment

VOTE: 10 ayes — Meyer, Martinez Fischer, Button, Capriglione, Hickland, Noble, V. Perez, Troxclair, Turner, Vasut

0 nays

3 absent — Bernal, Gervin-Hawkins, Muñoz

WITNESSES: For — Jimmy Reed, Colony Ranch Supply, Inc; Ted Britton, Texas Farm Bureau (*Registered, but did not testify*: Drew Fuller, Texas Farm Bureau; Russell Hayter)

Against — (*Registered, but did not testify*: Sarah Berel-Harrop; Adam Cahn)

DIGEST: HB 1399 would establish a property tax exemption for animal feed held for sale by retailers. The bill would entitle an owner of animal feed who was exempt from sales and use tax to a property tax exemption of the appraised value of the tangible personal property if held by the owner for sale at retail.

The bill would take effect January 1, 2026, if the constitutional amendment authorizing the Legislature to exempt animal feed held for retail sale from property tax was approved by voters. If the constitutional amendment was not approved, the bill would have no effect.

SUPPORTERS SAY: HB 1399 would provide much-needed property tax relief for livestock producers throughout the state by exempting animal feed from property taxes. Under current law, animal feed is not taxed at any point, except when it is sitting in a store as inventory. At the time of year when property taxes are calculated, feed sellers' warehouses are generally fully stocked due to the seasonal needs of the agriculture business. As a result of these large inventories, sellers have to pay high taxes, which are then passed on

to consumers through higher prices. By reducing retailer costs, exempting feed held by retailers from property tax would help make animal feed more affordable for Texans.

CRITICS
SAY:

By establishing an exemption for animal feed, HB 1399 would give an unfair tax benefit to feed sellers. Almost all other forms of inventory are subject to property tax. The state should not create a special exemption for this particular type of inventory under the Tax Code.

NOTES:

The constitutional amendment authorizing HB 1399 is HJR 99, which is on the Constitutional Amendments Calendar today.