

ANALYSES OF PROPOSED CONSTITUTIONAL AMENDMENTS

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SUMMARY ANALYSIS

The constitutional amendment proposed by S.J.R. 87 amends the Texas Constitution to authorize the legislature to exempt from ad valorem taxation the tangible personal property held by a manufacturer of medical or biomedical products as a finished good or used in the manufacturing or processing of medical or biomedical products.

BACKGROUND AND DETAILED ANALYSIS

Under current state law, most property held by a business and used for the production of income is subject to ad valorem taxation. Section 1, Article VIII, Texas Constitution, requires that taxation be equal and uniform and that all real and tangible personal property be taxed in proportion to its value unless the property is exempt as required or permitted by the constitution. The legislature may not exempt real or tangible personal property from ad valorem taxation unless the exemption is required or authorized by the constitution. Previously, Texas voters have approved constitutional amendments excepting various forms of commercial personal property from taxation, including exemptions for agricultural equipment and products, pollution control equipment, goods held temporarily for manufacturing or export, and marine oil drilling equipment in storage.

The constitutional amendment proposed by S.J.R. 87 amends Article VIII, Texas Constitution, by adding Section 1-x to authorize the legislature to exempt from ad valorem taxation the tangible personal property held by a manufacturer of medical or biomedical products as a finished good or used in the manufacturing or processing of medical or biomedical products.

The enabling legislation for the proposed exemption is S.B. 2289, 88th Legislature, Regular Session, 2023. The bill amends Subchapter B, Chapter 11, Tax Code, by adding Section 11.36. That section defines “medical or biomedical property” and “medical or biomedical manufacturing facility” for purposes of the section and provides that a person is entitled to an exemption from ad valorem taxation of medical or biomedical property the person owns or leases that is located in a medical or biomedical manufacturing facility that the person owns or leases. The new section also provides that, notwithstanding Section 11.14(c), Tax Code, which authorizes the governing body of a taxing unit to provide for the taxation of tangible personal property that a person owns and that is not held or used for production of income, the governing body of a taxing unit may not provide for taxation of medical or biomedical property exempted under that section. The enabling legislation also includes application procedures and other provisions relating to the administration of the exemption.