

Proposition 10

(S.J.R. 87, 88th Leg., R.S.)

The constitutional amendment to authorize the legislature to exempt from ad valorem taxation equipment or inventory held by a manufacturer of medical or biomedical products to protect the Texas healthcare network and strengthen our medical supply chain.

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.

SUMMARY OF COMMENTS

The following comments supporting or opposing the proposed amendment reflect positions that were presented in committee proceedings, during house or senate floor debate, or in the analysis of the resolution prepared by the House Research Organization (HRO) when the resolution was considered by the House of Representatives.

Comments by Supporters

- Despite not having a corporate or individual income tax, Texas has a high effective tax rate for medical manufacturers as compared to other states. Taxes on medical and biomedical manufacturing inventory discourage capital investment in and the expansion of this industry in Texas.
- Most medical and biomedical manufacturing is located abroad, and the cost to ship medical supplies to the United States increased more than 50 percent in 2021, causing Texans to pay more for vital supplies. Encouraging local manufacturing would eliminate the added shipping costs.
- Inflationary pressures and supply chain constraints further contribute to the need to regionalize manufacturing.

- Since 2020, Texas has missed opportunities for billions of dollars in private investment for biomedical manufacturing because it lacks tax incentives that other states provide.
- The proposed tax exemption would encourage investment in medical and biomedical manufacturing in Texas, which in turn would promote innovation and advancement in medical technologies, strengthen Texas' medical supply chain, and create jobs.

Comments by Opponents

- No opposition to the proposed constitutional amendment was expressed during legislative consideration of the proposal.

Text of S.J.R. 87

SENATE JOINT RESOLUTION

proposing a constitutional amendment to authorize the legislature to exempt from ad valorem taxation equipment or inventory held by a manufacturer of medical or biomedical products to protect the Texas healthcare network and strengthen our medical supply chain.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Article VIII, Texas Constitution, is amended by adding Section 1-x to read as follows:

Sec. 1-x. The legislature by general law may 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.

SECTION 2. This proposed constitutional amendment shall be submitted to the voters at an election to be held November 7, 2023. The ballot shall be printed to permit voting for or against the proposition: “The constitutional amendment to authorize the legislature to exempt from ad valorem taxation equipment or inventory held by a manufacturer of medical or biomedical products to protect the Texas healthcare network and strengthen our medical supply chain.”

Senate Author: Huffman

House Sponsor: Bonnen