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Lasara High School

Senate Committee
Finance

Senate Author
Isabella Nieto

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Ways & Means

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Property Tax Exemption for Farm Products

HB 20 – SB 23

Bill Analysis

BACKGROUND & PURPOSE

State law provides a property tax exemption for farm products in the hands of the producer. However, the author has informed the committee that definitions governing the exemption have been unclear, leading to inconsistencies in tax treatment. This bill seeks to ensure a consistent application of the exemption by clarifying the definitions of "farm products" and "in the hands of the producer" for purposes of the exemption.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

This bill amends the Tax Code to revise the definition of "farm products" for purposes of the property tax exemption for farm products in the hands of the producer by doing the following:

- removing the provision specifying that the definition includes livestock, poultry, and timber;
- establishing that the definition instead has the meaning assigned by Uniform Commercial Code—Secured Transactions, which means goods, other than standing timber, with respect to which the debtor is engaged in a farming operation and which are the following:
- crops grown, growing, or to be grown, including crops produced on trees, vines, and bushes, and aquatic goods produced in aquacultural operations;
- livestock, born or unborn, including aquatic goods produced in aquacultural operations;
- supplies used or produced in a farming operation; and
- products of such crops in their unmanufactured states; and

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- specifying that the revised definition includes poultry, eggs, and timber, including standing timber.

This bill clarifies that "in the hands of the producer," with respect to farm products other than timber, applies to such farm products under the ownership of the person who is using or financially providing for the physical requirements of the products on January 1 of the tax year.

EFFECTIVE DATE

January 1, 2027