

S.B. No. 977 (Texas Reforestation and Conservation Act of 1999)

AN ACT

relating to exemptions from ad valorem and sales and use taxation of certain timber and certain items used in timber operations and the valuation of certain timber land for ad valorem tax purposes.

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

SECTION 1. Subsection (b), Section 6.12, Tax Code, is amended to read as follows:

(b) One of the agricultural advisory board members must be a representative of the county agricultural stabilization and conservation service, and the remainder of the members must be landowners of the district whose land qualifies for appraisal under Subchapter C, D, ~~E~~, or H, ~~of~~ Chapter 23, and who have been residents of the district for at least five years.

SECTION 2. Subsection (c), Section 11.16, Tax Code, is amended to read as follows:

(c) For purposes of this exemption, the following definitions apply:

(1) "Farm products" include ~~includes~~ livestock, ~~and~~ poultry, and timber.

(2) "In the hands of the producer," for livestock and poultry, means under the ownership of the person who is financially providing for the physical requirements of such livestock and poultry on January 1 of the tax year and, for timber, means standing timber or timber that has been harvested and, on January 1 of the tax year, is located on the real property on which it was produced and is under the ownership of the person who owned the timber when it was standing.

SECTION 3. Section 11.161, Tax Code, is amended to read as follows:

Sec. 11.161. IMPLEMENTS OF HUSBANDRY ~~[FARMING OR RANCHING]~~.

Implements of husbandry that are used in the production of farm or ranch products or of timber are exempt from ad valorem taxation.

SECTION 4. Subsection (g), Section 23.76, Tax Code, is amended to read as follows:

(g) If the use of the land changes to a use that qualifies under Subchapter C, ~~D~~, or H of this chapter, the sanctions provided by Subsection (a) of this section do not apply.

SECTION 5. Chapter 23, Tax Code, is amended by adding Subchapter H to read as follows:

SUBCHAPTER H. APPRAISAL OF RESTRICTED-USE TIMBER LAND

Sec. 23.9801. DEFINITIONS. In this subchapter:

(1) "Aesthetic management zone" means timber land on which timber harvesting is restricted for aesthetic or conservation purposes, including:

(A) maintaining standing timber adjacent to public rights-of-way, including highways and roads; and

(B) preserving an area in a forest, as defined by Section 152.003, Natural Resources Code, that is designated by the director of the Texas Forest Service as special or unique because of the area's natural beauty, topography, or historical significance.

(2) "Critical wildlife habitat zone" means timber land on which the timber harvesting is restricted so as to provide at least three of the following benefits for the protection of an animal or plant that is listed as endangered or threatened under the Endangered Species Act

of 1973 (16 U.S.C. Section 1531 et seq.) and its subsequent amendments or as endangered under Section 68.002, Parks and Wildlife Code:

- (A) habitat control;
- (B) erosion control;
- (C) predator control;
- (D) providing supplemental supplies of water;
- (E) providing supplemental supplies of food;
- (F) providing shelters; and
- (G) making of census counts to determine population.

(3) "Management plan" means a plan that uses forestry best management practices consistent with the agricultural and silvicultural nonpoint source pollution management program administered by the State Soil and Water Conservation Board under Section 201.026, Agriculture Code.

(4) "Regenerate" means to replant or manage natural regeneration.

(5) "Streamside management zone" means timber land on which timber harvesting is restricted in accordance with a management plan to:

- (A) protect water quality; or
- (B) preserve a waterway, including a lake, river, stream, or creek.

(6) "Qualified restricted-use timber land" means land that qualifies for appraisal as provided by this subchapter.

Sec. 23.9802. QUALIFICATION FOR APPRAISAL AS RESTRICTED-USE TIMBER LAND. (a) Land qualifies for appraisal as provided by this subchapter if the land is in an aesthetic management zone, critical wildlife habitat zone, or streamside management zone.

(b) Land qualifies for appraisal as provided by this subchapter if:

(1) timber was harvested from the land in a year in which the land was appraised under Subchapter E; and

(2) the land has been regenerated for timber production to the degree of intensity generally accepted in the area for commercial timber land and with intent to produce income.

(c) Land ceases to qualify for appraisal under Subsection (b) on the 10th anniversary of the date the timber was harvested under Subsection (b)(1). This subsection does not disqualify the land from qualifying for appraisal under this section in a tax year following that anniversary based on the circumstances existing in that subsequent tax year.

Sec. 23.9803. APPRAISAL OF QUALIFIED RESTRICTED-USE TIMBER LAND.

(a) Except as provided by Subsection (b), the appraised value of qualified restricted-use timber land is one-half of the appraised value of the land as determined under Section 23.73(a).

(b) The appraised value determined under Subsection (a) may not exceed the lesser of:

- (1) the market value of the land as determined by other appraisal methods; or
- (2) the appraised value of the land for the year preceding the first year of appraisal

under this subchapter.

(c) The chief appraiser shall determine the market value of qualified restricted-use timber land and shall record both the market value and the appraised value in the appraisal records.

Sec. 23.9804. APPLICATION. (a) A person claiming that the person's land is eligible for appraisal as provided by this subchapter must file a valid application with the chief appraiser.

(b) To be valid, an application for appraisal under Section 23.9802(a) must:

- (1) be on a form provided by the appraisal office and prescribed by the comptroller;
- (2) provide evidence that the land qualifies for designation as an aesthetic management zone, critical wildlife habitat zone, or streamside management zone;
- (3) specify the location of the proposed zone and the quantity of land, in acres, in the proposed zone; and
- (4) contain other information necessary to determine the validity of the claim.

(c) To be valid, an application for appraisal under Section 23.9802(b) must:

- (1) be on a form provided by the appraisal office and prescribed by the comptroller;
- (2) provide evidence that the land on which the timber was harvested was appraised under Subchapter E in the year in which the timber was harvested;
- (3) provide evidence that all of the land has been regenerated in compliance with Section 23.9802(b)(2); and
- (4) contain other information necessary to determine the validity of the claim.

(d) The comptroller shall include on the form a notice of the penalties prescribed by Section 37.10, Penal Code, for making or filing an application containing a false statement. The comptroller, in prescribing the contents of the application form, shall require that the form permit a claimant who has previously been allowed appraisal under this subchapter to indicate that the previously reported information has not changed and to supply only the eligibility information not previously reported.

(e) The form must be filed before May 1. However, for good cause shown, the chief appraiser may extend the filing deadline for not more than 15 days.

(f) If a person fails to file a valid application on time, the land is ineligible for appraisal as provided by this subchapter for that year. Once an application is filed and appraisal under this subchapter is allowed, the land is eligible for appraisal under the applicable provision of this subchapter in subsequent years without a new application unless the ownership of the land changes, the standing timber is harvested, or the land's eligibility under this subchapter ends. However, if the chief appraiser has good cause to believe the land's eligibility under this subchapter has ended, the chief appraiser may require a person allowed appraisal under this subchapter in a previous year to file a new application to confirm that the land is currently eligible under this subchapter by delivering a written notice that a new application is required, accompanied by the application form, to the person who filed the application that was previously allowed.

(g) The appraisal office shall make a sufficient number of printed application forms readily available at no charge.

(h) Each year the chief appraiser for each appraisal district shall publicize, in a manner reasonably designed to notify all residents of the district, the requirements of this section and the availability of application forms.

(i) A person whose land is allowed appraisal under this subchapter shall notify the appraisal

office in writing before May 1 after eligibility of the land under this subchapter ends. If a person fails to notify the appraisal office as required by this subsection, a penalty is imposed on the property equal to 10 percent of the difference between the taxes imposed on the property in each year it is erroneously allowed appraisal under this subchapter and the taxes that would otherwise have been imposed.

(j) The chief appraiser shall make an entry in the appraisal records for the property against which the penalty is imposed indicating liability for the penalty and shall deliver a written notice of imposition of the penalty to the person who owns the property. The notice shall include a brief explanation of the procedures for protesting the imposition of the penalty. The assessor for each taxing unit that imposed taxes on the property on the basis of appraisal under this subchapter shall add the amount of the penalty to the unit's tax bill for taxes on the property against which the penalty is imposed. The penalty shall be collected at the same time and in the same manner as the taxes on the property against which the penalty is imposed. The amount of the penalty constitutes a lien on the property against which the penalty is imposed and on delinquency accrues penalty and interest in the same manner as a delinquent tax.

(k) If the chief appraiser discovers that appraisal under this subchapter has been erroneously allowed in any of the 10 preceding years because of failure of the person whose land was allowed appraisal under this subchapter to give notice that the land's eligibility had ended, the chief appraiser shall add the difference between the appraised value of the land under this subchapter and the market value of the land for any year in which the land was ineligible for appraisal under this subchapter to the appraisal records as provided by Section 25.21 for other property that escapes taxation.

Sec. 23.9805. ACTION ON APPLICATION. (a) The chief appraiser shall determine separately each applicant's right to have the applicant's land appraised under this subchapter. After considering the application and all relevant information, the chief appraiser shall, based on the law and facts:

- (1) approve the application and allow appraisal under this subchapter;
- (2) disapprove the application and request additional information from the applicant in support of the claim; or
- (3) deny the application.

(b) If the chief appraiser requests additional information from an applicant, the applicant must furnish it not later than the 30th day after the date of the request or the chief appraiser shall deny the application. However, for good cause shown, the chief appraiser may extend the deadline for furnishing the information by written order for a single period not to exceed 15 days.

(c) The chief appraiser shall determine the validity of each application for appraisal under this subchapter filed with the chief appraiser before the chief appraiser submits the appraisal records for review and determination of protests as provided by Chapter 41.

(d) If the chief appraiser denies an application, the chief appraiser shall deliver a written notice of the denial to the applicant not later than the fifth day after the date the chief appraiser makes the determination. The chief appraiser shall include with the notice a brief explanation of the procedures for protesting the denial.

Sec. 23.9806. APPLICATION DENIAL BASED ON ZONE LOCATION. (a) Before a chief appraiser may deny an application under Section 23.9805 on the ground that the land is not located in an aesthetic management zone, critical wildlife habitat zone, or streamside management zone, the chief appraiser must first request a determination letter from the director of the Texas Forest Service as to the type, location, and size of the zone, if any, in which the land is located.

(b) The chief appraiser shall notify the landowner and each taxing unit in which the land is located that a determination letter has been requested.

(c) The director's letter is conclusive as to the type, size, and location of the zone for purposes of appraisal of the land under this subchapter.

(d) If the land is located in a zone described in the determination letter, the chief appraiser shall approve the application and allow appraisal under this subchapter if the applicant is otherwise entitled to have the applicant's land appraised under this subchapter.

(e) The director of the Texas Forest Service by rule shall adopt procedures under this section. The procedures must allow the chief appraiser, the landowner, and a representative of each taxing unit in which the land is located to present information to the director before the director issues the determination letter.

(f) Chapters 41 and 42 do not apply to a determination under this section by the director of the Texas Forest Service of the type, size, and location of a zone.

Sec. 23.9807. CHANGE OF USE OF LAND. (a) If the use of land that has been appraised as provided by this subchapter changes to a use that qualifies the land for appraisal under Subchapter E, an additional tax is imposed on the land equal to the sum of:

(1) the difference between:

(A) the taxes imposed on the land for each of the five years preceding the year in which the change of use occurs that the land was appraised as provided by this subchapter; and

(B) the taxes that would have been imposed had the land been appraised under Subchapter E in each of those years; and

(2) interest at an annual rate of seven percent calculated from the dates on which the differences would have become due.

(b) If the use of land that has been appraised as provided by this subchapter changes to a use that does not qualify the land for appraisal under Subchapter E or under this subchapter, an additional tax is imposed on the land equal to the sum of:

(1) the difference between:

(A) the taxes imposed on the land for each of the five years preceding the year in which the change of use occurs that the land was appraised as provided by this subchapter; and

(B) the taxes that would have been imposed had the land been taxed on the basis of market value in each of those years; and

(2) interest at an annual rate of seven percent calculated from the dates on which the differences would have become due.

(c) A tax lien attaches to the land on the date the change of use occurs to secure payment of the additional tax and interest imposed by this section and any penalties incurred. The lien exists in favor of all taxing units for which the additional tax is imposed.

(d) The additional tax imposed by this section does not apply to a year for which the tax has already been imposed.

(e) If the change of use applies to only part of a parcel that has been appraised as provided by this subchapter, the additional tax applies only to that part of the parcel.

(f) A determination that a change in use of the land has occurred is made by the chief appraiser. The chief appraiser shall deliver a notice of the determination to the owner of the land as soon as possible after making the determination and shall include in the notice an explanation of the owner's right to protest the determination. If the owner does not file a timely protest or if the final determination of the protest is that the additional taxes are due, the assessor for each taxing unit shall prepare and deliver a bill for the additional taxes and interest as soon as practicable after the change of use occurs. The taxes and interest are due and become delinquent and incur penalties and interest as provided by law for ad valorem taxes imposed by the taxing unit if not paid before the next February 1 that is at least 20 days after the date the bill is delivered to the owner of the land.

(g) The harvesting of timber from the land before the expiration of the period provided by Section 23.9802(c) constitutes a change of use of the land for purposes of this section.

(h) The sanction provided by Subsection (a) or (b) does not apply if the change of use occurs as a result of a:

- (1) sale for right-of-way;
- (2) condemnation; or
- (3) change in law.

SECTION 6. Subsection (a), Section 25.02, Tax Code, is amended to read as follows:

- (a) The appraisal records shall be in the form prescribed by the comptroller and shall include:
- (1) the name and address of the owner or, if the name or address is unknown, a statement that it is unknown;
 - (2) real property;
 - (3) separately taxable estates or interests in real property, including taxable possessory interests in exempt real property;
 - (4) personal property;
 - (5) the appraised value of land and, if the land is appraised as provided by Subchapter C, D, ~~or~~ E, or H, Chapter 23 ~~[of this code]~~, the market value of the land;
 - (6) the appraised value of improvements to land;
 - (7) the appraised value of a separately taxable estate or interest in land;
 - (8) the appraised value of personal property;
 - (9) the kind of any partial exemption the owner is entitled to receive, whether the exemption applies to appraised or assessed value, and, in the case of an exemption authorized by Section 11.23 ~~[of this code]~~, the amount of the exemption;
 - (10) the tax year to which the appraisal applies; and

(11) an identification of each taxing unit in which the property is taxable.

SECTION 7. Subsection (a), Section 25.22, Tax Code, is amended to read as follows:

(a) By May 15 or as soon thereafter as practicable, the chief appraiser shall submit the completed appraisal records to the appraisal review board for review and determination of protests. However, the chief appraiser may not submit the records until the chief appraiser has delivered the notices required by Subsection (d) of Section 11.45, Subsection (d) of Section 23.44, Subsection (d) of Section 23.57, Subsection (d) of Section 23.79, Subsection (d) of Section 23.85, Subsection (d) of Section 23.95, Subsection (d) of Section 23.9805, and Section 25.19.

SECTION 8. Subsections (c) and (d), Section 31.01, Tax Code, are amended to read as follows:

(c) The tax bill or a separate statement accompanying the tax bill shall:

- (1) identify the property subject to the tax;
- (2) state the appraised value, assessed value, and taxable value of the property;
- (3) if the property is land appraised as provided by Subchapter C, D, ~~[or] E~~, or H, Chapter 23 ~~[of this code]~~, state the market value and the taxable value for purposes of deferred or additional taxation as provided by Section 23.46, 23.55, ~~[or] 23.76~~, or 23.9807, as applicable~~[, or of this code]~~;
- (4) state the assessment ratio for the unit;
- (5) state the type and amount of any partial exemption applicable to the property, indicating whether it applies to appraised or assessed value;
- (6) state the total tax rate for the unit;
- (7) state the amount of tax due, the due date, and the delinquency date;
- (8) explain the payment option and discounts provided by Sections 31.03 and 31.05 ~~[of this code]~~, if available to the unit's taxpayers, and state the date on which each of the discount periods provided by Section 31.05 concludes, if the discounts are available;
- (9) state the rates of penalty and interest imposed for delinquent payment of the tax;
- (10) include the name and telephone number of the assessor for the unit and, if different, of the collector for the unit; and
- (11) include any other information required by the comptroller.

(d) Each tax bill shall also state the amount of penalty, if any, imposed pursuant to Sections 23.431, 23.54, 23.541, 23.75, 23.751, 23.87, ~~[and] 23.97~~, and 23.9804 ~~[of this code]~~.

SECTION 9. Subsection (a), Section 41.01, Tax Code, is amended to read as follows:

(a) The appraisal review board shall:

- (1) determine protests initiated by property owners;
- (2) determine challenges initiated by taxing units;
- (3) correct clerical errors in the appraisal records and the appraisal rolls;
- (4) act on motions to correct appraisal rolls under Section 25.25;
- (5) determine whether an exemption or a partial exemption is improperly granted and whether land is improperly granted appraisal as provided by Subchapter C, D, ~~[or] E~~, or H, Chapter 23; and

(6) take any other action or make any other determination that this title specifically authorizes or requires.

SECTION 10. Section 41.03, Tax Code, is amended to read as follows:

Sec. 41.03. CHALLENGE BY TAXING UNIT. (a) A taxing unit is entitled to challenge before the appraisal review board:

- (1) the level of appraisals of any category of property in the district or in any territory in the district, but not the appraised value of a single taxpayer's property;
- (2) an exclusion of property from the appraisal records;
- (3) a grant in whole or in part of a partial exemption;
- (4) a determination that land qualifies for appraisal as provided by Subchapter C, D, ~~[or] E~~, or H, Chapter 23 ~~[of this code]~~; or
- (5) failure to identify the taxing unit as one in which a particular property is taxable.

(b) If a taxing unit challenges a determination that land qualifies for appraisal under Subchapter H, Chapter 23, on the ground that the land is not located in an aesthetic management zone, critical wildlife habitat zone, or streamside management zone, the taxing unit must first seek a determination letter from the director of the Texas Forest Service. The appraisal review board shall accept the letter as conclusive proof of the type, size, and location of the zone.

SECTION 11. Subsection (a), Section 41.41, Tax Code, is amended to read as follows:

(a) A property owner is entitled to protest before the appraisal review board the following actions:

- (1) determination of the appraised value of the owner's property or, in the case of land appraised as provided by Subchapter C, D, ~~[or] E~~, or H, Chapter 23, determination of its appraised or market value;
- (2) unequal appraisal of the owner's property;
- (3) inclusion of the owner's property on the appraisal records;
- (4) denial to the property owner in whole or in part of a partial exemption;
- (5) determination that the owner's land does not qualify for appraisal as provided by Subchapter C, D, ~~[or] E~~, or H, Chapter 23;
- (6) identification of the taxing units in which the owner's property is taxable in the case of the appraisal district's appraisal roll;
- (7) determination that the property owner is the owner of property;
- (8) a determination that a change in use of land appraised under Subchapter C, D, ~~[or] E~~, or H, Chapter 23, has occurred; or
- (9) any other action of the chief appraiser, appraisal district, or appraisal review board that applies to and adversely affects the property owner.

SECTION 12. Subsection (a), Section 41.44, Tax Code, is amended to read as follows:

(a) Except as provided by Subsections (b) and (c), to be entitled to a hearing and determination of a protest, the property owner initiating the protest must file a written notice of the protest with the appraisal review board having authority to hear the matter protested:

- (1) before June 1 or not later than the 30th day after the date that notice was delivered to the property owner as provided by Section 25.19, whichever is later;

(2) in the case of a protest of a change in the appraisal records ordered as provided by Subchapter A of this chapter or by Chapter 25, not later than the 30th day after the date notice of the change is delivered to the property owner; or

(3) in the case of a determination that a change in the use of land appraised under Subchapter C, D, ~~[or] E~~, or H, Chapter 23, has occurred, not later than the 30th day after the date the notice of the determination is delivered to the property owner.

SECTION 13. Subsection (b), Section 151.3111, Tax Code, is amended to read as follows:

(b) Subsection (a) ~~[of this section]~~ does not apply to the performance of a service on:

(1) tangible personal property that would be exempted solely because of the exempt status of the seller of the property;

(2) tangible personal property that is exempted solely because of the application of Section 151.303, 151.304, or 151.306 ~~[of this code]~~;

(3) motor vehicles, trailers, or semitrailers as defined, taxed, or exempted by Chapter 152 ~~[of this code]~~; or

(4) a taxable boat or motor as defined by Section 160.001~~[-or]~~

~~[(5) machinery and equipment with a purchase price greater than \$50,000 used exclusively in a commercial timber operation as described by Section 151.3161(a)].~~

SECTION 14. Subchapter H, Chapter 151, Tax Code, is amended by adding Section 151.3162 to read as follows:

Sec. 151.3162. TIMBER ITEMS. (a) In this section, "original producer" means a person who:

(1) harvests timber that the person owns and continues to own until the timber is processed, packed, or marketed; or

(2) grows timber, exercises predominant operational control over the growth of the timber, and bears the risk of loss of investment in the timber.

(b) The following items are exempted from the tax imposed by this chapter:

(1) seedlings of trees commonly grown for commercial timber;

(2) defoliants, desiccants, equipment, fertilizers, fungicides, herbicides, insecticides, and machinery exclusively used in the production of timber to be sold in the regular course of business;

(3) machinery and equipment used in, and pollution control equipment required as a result of, the processing, packing, or marketing of timber products by an original producer if:

(A) the processing, packing, or marketing occurs at or from a location operated by the original producer;

(B) at least 50 percent of the value of the timber products processed, packed, or marketed at or from the location is attributable to products produced by the original producer and not purchased or acquired from others; and

(C) the original producer does not process, pack, or market for consideration timber products that belong to another person with a value greater than five percent of the total value of the timber products processed, packed, or marketed by the producer; and

(4) tangible personal property sold or used to be installed as a component of an

underground irrigation system exclusively used in the production of timber to be sold in the regular course of business.

(c) Two or more corporations that operate timber activities on the same or adjacent tracts of land and that are entirely owned by the same individual or a combination of the individual and the individual's spouse or children are considered to be a single original producer for the purposes of Subsection (b)(3).

(d) The exemption provided by Subsection (b) takes effect January 1, 2008. Until that date, a person is entitled to a credit or refund of a portion of the taxes paid under this chapter on an item that after January 1, 2008, will be exempted from the taxes imposed by this chapter under Subsection (b). The amount of the credit or refund is determined as follows:

(1) for an item for which the taxable event occurs on or after October 1, 2001, and before January 1, 2004, the taxpayer is entitled to a refund or credit in an amount equal to 33 percent of the tax paid on the item;

(2) for an item for which the taxable event occurs on or after January 1, 2004, and before January 1, 2006, the taxpayer is entitled to a refund or credit in an amount equal to 50 percent of the tax paid on the item; and

(3) for an item for which the taxable event occurs on or after January 1, 2006, and before January 1, 2008, the taxpayer is entitled to a refund or credit in an amount equal to 75 percent of the tax paid on the item.

(e) A taxpayer entitled to a credit or refund under Subsection (d) may elect to receive either a credit or a refund. A taxpayer who elects to receive a credit must claim the credit on the return for a period that ends not later than the first anniversary of the date on which the taxable event occurred. A taxpayer who elects to receive a refund must apply to the comptroller for the refund before or during the calendar year following the year in which the tax on the item was paid.

SECTION 15. Subdivision (2), Subsection (c), Section 151.317, Tax Code, is amended to read as follows:

(2) "Commercial use" means use by a person engaged in selling, warehousing, or distributing a commodity or a professional or personal service, but does not include:

(A) use by a person engaged in:

(i) processing tangible personal property for sale as tangible personal property, other than preparation or storage of food for immediate consumption;

(ii) exploring for, producing, or transporting, a material extracted from the earth;

(iii) agriculture, including dairy or poultry operations and pumping for farm or ranch irrigation;

(iv) timber operations, including pumping for irrigation of timber land;

(v) electrical processes such as electroplating, electrolysis, and cathodic protection;

(vi) [~~(v)~~] the off-wing processing, overhaul, or repair of a jet turbine engine or its parts for a certificated or licensed carrier of persons or property; or

(vii) ~~(vi)~~ providing, under contracts with or on behalf of the United States government or foreign governments, defense or national security-related electronics, classified intelligence data processing and handling systems, or defense-related platform modifications or upgrades; or

(B) a direct or indirect use, consumption, or loss of electricity by an electric utility engaged in the purchase of electricity for resale.

SECTION 16. Section 152.091, Tax Code, is amended to read as follows:

Sec. 152.091. FARM OR TIMBER USE. (a) The taxes imposed by this chapter do not apply to the sale or use of a:

(1) farm machine, trailer, or semitrailer for use primarily for farming and ranching, including the rearing of poultry, and use in feedlots; or

(2) machine, trailer, or semitrailer for use primarily for timber operations.

(b)(1) The taxes imposed by this chapter do not apply to the purchase of a:

(A) farm machine, trailer, or semitrailer that is to be leased for use primarily for farming and ranching, including the rearing of poultry, and use in feedlots; or

(B) machine, trailer, or semitrailer that is to be leased for use primarily for timber operations.

(2) The exemption provided by this subsection applies only if the person purchasing the ~~farm~~ machine, trailer, or semitrailer to be leased presents the tax assessor-collector a form prescribed and provided by the comptroller showing:

(A) the identification of the motor vehicle;

(B) the name and address of the lessor and the lessee; and

(C) verification by the lessee that the ~~farm~~ machine, trailer, or semitrailer will be used primarily for:

(i) farming and ranching, including the rearing of poultry, and use in feedlots; or

(ii) timber operations.

(3) If a motor vehicle for which the tax has not been paid ceases to be leased for use primarily for farming and ranching, including the rearing of poultry, and use in feedlots or timber operations, the owner shall notify the comptroller on a form provided by the comptroller and shall pay the sales or use tax on the motor vehicle based on the owner's book value of the motor vehicle. The tax is imposed at the same percentage rate that is provided by ~~[Subsection (b) of]~~ Section 152.021(b) ~~[152.021 of this code]~~.

(c) The taxes imposed by this chapter do not apply to the rental of a farm machine, a trailer, or a semitrailer for use primarily for farming and ranching, including the rearing of poultry, and use in feedlots, or a machine, a trailer, or a semitrailer for use primarily for timber operations.

The tax that would have been remitted on gross rental receipts without this exemption shall be deemed to have been remitted for the purpose of calculating the minimum gross rental receipts imposed by Section 152.026 ~~[of this code]~~. The exemption provided by this subsection applies only if the owner of the motor vehicle obtains in good faith an exemption certificate from the person to whom the vehicle is being rented.

SECTION 17. Section 151.3161, Tax Code, is repealed.

SECTION 18. (a) Except as provided by Subsections (b) and (c) of this section, this Act takes effect September 1, 1999.

(b) Subsection (c), Section 11.16, and Section 11.161, Tax Code, as amended by this Act, and Subchapter H, Chapter 23, Tax Code, as added by this Act, take effect January 1, 2000.

(c) The following sections of this Act take effect October 1, 2001:

(1) Sections 13, 15, and 16 of this Act, amending Subsection (b), Section 151.3111, Subdivision (2), Subsection (c), Section 151.317, and Section 152.091, Tax Code;

(2) Section 14 of this Act, adding Section 151.3162, Tax Code; and

(3) Section 17 of this Act, repealing Section 151.3161, Tax Code.

SECTION 19. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended.

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 977 passed the Senate on April 28, 1999, by a viva-voce vote.

Secretary of the Senate

I hereby certify that S.B. No. 977 passed the House on May 22, 1999, by a non-record vote.

Chief Clerk of the House

Approved:

Date

Governor