

Reducing Taxes on Personal Property: A Sigh of Relief for Texas Businesses

Texas has the 10th highest property tax in the nation according to the Tax Foundation’s 2025 State Tax Competitiveness Index. In Texas, property taxes are a primary source of revenue for local governments, funding essential public services such as education, infrastructure, and public safety. However, the continued inclusion of business personal property (BPP)—such as machinery, equipment, and inventory—in the tax base negatively impacts business decisions about where to invest or expand. Small and medium-sized businesses often face financial strain due to the combined cost of taxes on real property and BPP. Administrative costs to comply with the tax can also be onerous for businesses. Exempting BPP from property tax could alleviate some of this burden, making it easier for businesses to stay afloat, expand, or increase employment in Texas.

Exempting BPP would also reduce the cost to government and taxpayers associated with administering the property tax. The valuation of BPP by appraisal districts each year requires a substantial amount of resources, and those costs are ultimately born by the taxpayers served by the appraisal districts.

Texas competes with other states to attract business investment. Many states offer tax exemptions, credits, or rebates to businesses as a means of creating an environment conducive to economic growth. By exempting BPP from property tax, Texas could enhance its competitiveness and strengthen its position as a business-friendly state. Businesses would be more likely to expand, relocate, or increase investments in machinery, equipment and production in Texas, driving job creation, higher personal income and economic growth.



Turn a business upside down and shake it, and everything that falls out is BPP. In other words, anything not attached to the ground or the building is BPP.

The Texas Property Tax Base

Texas has a diverse tax base encompassing many types of property, ranging from homes to farms and ranches to oil fields. The imposition of local property taxes on this wide range of property provides a stable source of revenue for local governments. The table below lists the types of property subject to taxation by school districts, counties, cities, and special districts such as junior colleges, libraries, and water and municipal utility districts.

In 2023, the market value of all property on local tax rolls in Texas totaled \$5.7 trillion. Of that amount, \$399.4 billion, or 7%, represented the market value of two categories of BPP.

Eliminating Taxes on Personal Property

Categories of Property in the Texas Property Tax Base

Taxable Personal Property		
L1	Commercial Personal	Merchandise inventory, supplies, computers, cash registers, moveable business equipment, furniture, fixtures
L2	Industrial and Manufacturing Personal	Manufacturing machinery and equipment, computers, barges, commercial watercraft, trucks, heavy equipment, inventory stock, drilling rigs, portable tools, furniture, fixtures, raw materials, goods in process, finished goods
H1	Vehicles	Vehicles not used for business purposes, but only if taxed under local option authorized by Tax Code § 11.14(c)
H2	Goods in Transit	Personal property in transit, but only if taxed under local option authorized by Tax Code § 11.253(j)
J	Utilities	Personal property of electric companies and co-ops, water systems, gas distribution systems, telephone companies and co-ops, railroads, pipelines, cable companies
M1	Mobile Homes	Mobile homes on land owned by someone other than the owner
M2	Other Tangible Personal	Non-income-producing boats, travel trailers, aircraft, but only if taxed under local option authorized by Tax Code § 11.14(c)
N	Intangible Personal	Stock value of insurance companies and savings and loan associations taxable under Tax Code § 11.02
S	Special Inventory	Dealers' motor vehicle, vessel, outboard motor, heavy equipment, manufactured housing inventory

Taxable Real Property		
A	Single-family Residential	Homes, townhouses, condominiums, duplexes, mobile homes
B	Multifamily Residential	Apartment complexes, rental duplexes, triplexes, fourplexes
C1	Vacant Lots and Land Tracts	Potential building sites, recreational lots
C2	Colonia Lots and Land Tracts	Housing developments along the border lacking basic services
D1	Qualified Open-space Land	Land that qualifies for productivity valuation (Constitution Art. VIII, 1-d, 1-d-1)
D2	Farm and Ranch Improvements on Qualified Open-Space Land	Barns, sheds, silos, garages
E	Rural land not qualified for open-space land appraisal and improvements	Land not qualified for productivity valuation, residences
F1	Commercial Real Property	Wholesale/retail stores, shopping centers, office buildings, restaurants, hotels, motels, gas stations, parking garages, auto dealers, banks, nursing homes, hospitals, warehouses storing goods for sale
F2	Industrial and Manufacturing Real Property	Cotton gins, processing plants, paper mills, steel mills, refineries, cement plants, chemical plants, canning companies, clothing manufacturers, warehouses storing for manufacturing
G1	Oil and Gas Property	Value of oil, gas, and other minerals in subsurface land, mines, quarries, limestone, sand, caliche, gravel
G2	Minerals	Uranium, lignite, other substances defined as minerals
G3	Other Sub-surface Interests in Land	Limestone, sand, caliche, gravel, other substances not defined as minerals
J	Utilities	Real property of electric companies and co-ops, water systems, gas distribution systems, telephone companies and co-ops, railroads, pipelines, cable companies
O	Residential Inventory	Unsold newly built homes

Source: Texas Comptroller of Public Accounts, [Texas Property Tax Assistance Property Classification Guide](#), January 2022.

Eliminating Taxes on Personal Property

Commercial Personal Property includes the personal property of businesses that sell goods or services to the public. Examples of commercial personal property are inventory, supplies, computers, furniture, equipment, and supplies. The category includes fixtures, even though fixtures are real property. The market value of commercial personal property in 2023 was \$229.2 billion, 4% of the market value of taxable property in the state.

Industrial and Manufacturing Personal Property includes the personal property of businesses that add value to a product through the development, manufacturing, processing, or storage of that product. Examples of industrial personal property are manufacturing machinery and equipment, computers, barges, commercial watercraft, trucks, heavy equipment, inventory stock, drilling rigs, portable tools, furniture, raw materials, goods in process, and finished goods. The category includes fixtures, even though fixtures are real property. The market value of industrial and manufacturing personal property in 2023 was \$170.2 billion, representing 3% of the market value of taxable property in the state.

Administrative Burden of Taxing BPP

Tracking and valuing BPP imposes a significant administrative burden on taxpayers. Businesses are required to maintain detailed records of acquisition dates, prices, depreciation schedules and market values for a large number of individual assets of different kinds, including machinery, equipment, inventory, and supplies. Some categories of BPP, such as inventory, supplies and goods in production or transit, change and move continually. The process of tracking, counting and valuing BPP can be time-consuming and complex, especially for small businesses that may lack the resources for efficient asset management.

Additionally, taxing BPP carries significant administrative costs for appraisal districts, local governments and taxpayers. The central appraisal district (CAD) of each Texas county is responsible for determining the market value of all BPP in the county on January 1 of each year, a task complicated by the changing nature of BPP. Some BPP, such as inventory and supplies, is continually changing in quantity and location. Manufactured goods are continuously moving through the stages of production and becoming more valuable as they go. Machinery and equipment are always depreciating with age and usage. After the complex valuation process, CADs and businesses sometimes disagree about the value of BPP. The appraisal review board for each CAD attempts to settle the disagreement, creating additional administrative cost. Since the operations of CADs and ARBs are funded by taxing units, and taxing units are funded by taxpayers, the cost of determining the market value of BPP each year is ultimately paid by taxpayers.

State Cost (Billions) to Exempt Various Percentages of Business Personal Property											
	TY 2023	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
	Levy	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
Commercial Personal Property	\$2.0	\$1.8	\$1.6	\$1.4	\$1.2	\$1.0	\$0.8	\$0.6	\$0.4	\$0.2	\$0.0
Industrial Personal Property	\$1.4	\$1.3	\$1.1	\$1.0	\$0.8	\$0.7	\$0.6	\$0.4	\$0.3	\$0.1	\$0.0
Total Levy	\$3.4B	\$3.1B	\$2.7B	\$2.4B	\$2.0B	\$1.7B	\$1.4B	\$1.0B	\$0.7B	\$0.3B	\$0
Reduction in Levy*		\$0.3B	\$0.7B	\$1.0B	\$1.4B	\$1.7B	\$1.4B	\$2.4B	\$2.7B	\$3.1B	\$3.4B

* State cost to replace property tax revenue with state dollars

% of Business Property & Homestead Property on School District Tax Rolls at Various Levels of BPP Exemption											
	TY 2023	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
		Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
% Business Property Taxed	93%	92%	90%	89%	87%	86%	84%	83%	81%	80%	78%
% Homestead Property Taxed	43%	43%	43%	43%	43%	43%	43%	43%	43%	43%	43%

Eliminating Taxes on Personal Property

Exempting Business Personal Property

Based on 2023 values, exempting BPP from taxation by school districts would cost \$3.4 billion annually, with the state reimbursing school districts to make them whole. Through this mechanism, an exemption for BPP would reduce school district property tax overall. Exempting BPP from taxation by counties, cities and special districts would have no cost to the state, but it would not necessarily reduce property taxes. More likely, an exemption of BPP from the property taxes of counties, cities and special districts would shift the property tax burden from BPP to real property.

2023 School District Property Tax Levy on Business Personal Property

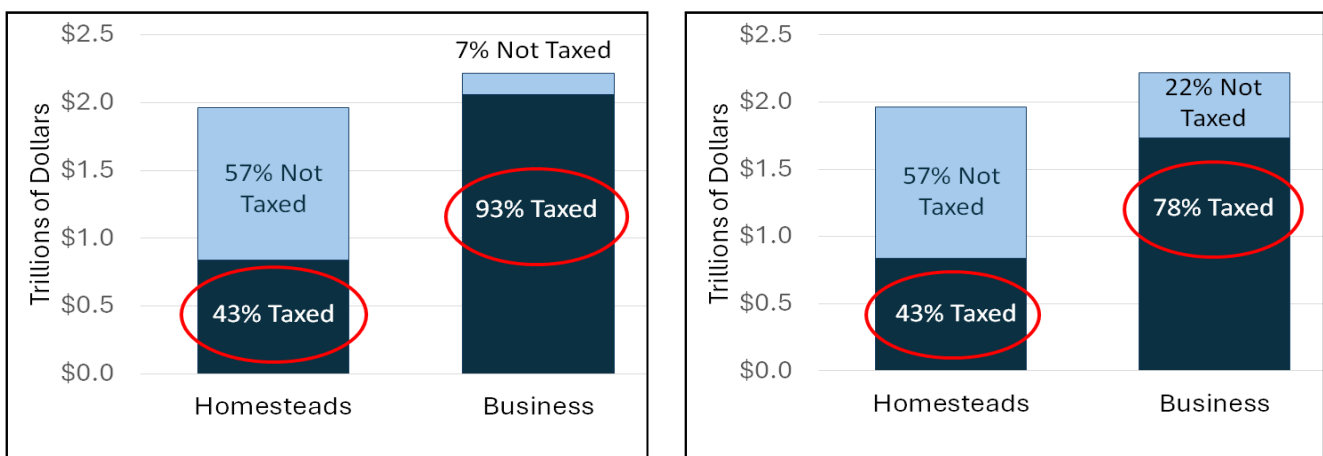
	2023 Tax Levy School Districts	2023 Tax Levy Counties	2023 Tax Levy Cities	2023 Tax Levy Total
Commercial Personal	\$2,001,311,309	\$612,356,513	\$906,001,525	\$3,519,669,347
Industrial Personal	\$1,407,404,537	\$550,899,548	\$370,550,866	\$2,328,854,950
Total	\$3,408,715,846	\$1,163,256,060	\$1,276,552,391	\$5,848,524,297

Why Should Texas Exempt Business Personal Property?

The property tax relief package passed by the 88th Legislature in 2023 compressed school district maintenance and operations (M&O) tax rates, increased the school district homestead exemption by 150% to \$100,000 and adjusted the “tax freeze” for homeowners over 65 years of age or disabled to reflect those actions. This resulted in a “split roll” in the school district tax base where only 43% of homestead property is taxed, while 93% of business property is taxed. Exempting BPP from taxation by school districts would lower the percentage of taxed business property to 78%, narrowing the divide between homestead and business property.

Eliminating or reducing the property tax on BPP would make Texas a more attractive option for new capital investment compared to other states—investment that will grow the economy and provide jobs and incomes to individual Texans. The table on the following page provides more detail on the tax treatment of personal property and inventory across the United States. Thirty-eight states do not tax inventory, and Texas is one of the 12 states that do. Fourteen states do not tax inventory or any other personal property: Delaware, Hawaii, Illinois, Iowa, Minnesota, New Hampshire, New Jersey, New Mexico, New York, North Dakota, Ohio, Pennsylvania, South Dakota, and Wisconsin. Texas would do well to become the fifteenth state that does not tax any form of personal property.

School District Tax Base Without Personal Exemption vs. With Personal Property Exemption



Eliminating Taxes on Personal Property

Business Personal Property Treatment by States

State	Is Personal Property Taxed?	Is Inventory Taxed?
Alabama	Yes	No
Alaska	Yes, by municipal option	Yes, by municipal option
Arizona	Yes	No
Arkansas	Yes	Yes, with exceptions
California	Yes	No
Colorado	Yes	No
Connecticut	Yes	No
Delaware	No	No
Florida	Yes	No
Georgia	Yes	Yes, with local option not to tax
Hawaii	No	No
Idaho	Yes	No
Illinois	No	No
Indiana	Yes	No
Iowa	No	No
Kansas	Yes	No
Kentucky	Yes	Yes, with exceptions
Louisiana	Yes	Yes
Maine	Yes	No
Maryland	Yes	No
Massachusetts	Yes	No
Michigan	Yes	No
Minnesota	No, with a few exceptions	No
Mississippi	Yes	Yes
Missouri	Yes	No
Montana	Yes	No
Nebraska	Yes	No
Nevada	Yes	No
New Hampshire	No	No
New Jersey	No	No
New Mexico	No	No
New York	No	No
North Carolina	Yes	No
North Dakota	No	No
Ohio	No	No
Oklahoma	Yes	Yes
Oregon	Yes	No
Pennsylvania	No	No
Rhode Island	Yes	Yes
South Carolina	Yes	No
South Dakota	No	No
Tennessee	Yes	No, with exceptions
Texas	Yes	Yes
Utah	Yes	No
Vermont	Yes, with municipal option not to tax	Yes, with municipal option not to tax
Virginia	Yes	Yes
Washington	Yes	No
West Virginia	Yes	Yes
Wisconsin	No	No
Wyoming	Yes	No



About Us

The Texas Taxpayers and Research Association (TTARA) is a nonprofit membership organization of businesses and individuals interested in state and local fiscal policy in Texas and how that policy impacts our economy. Our membership is composed primarily of businesses and trade associations that represent a variety of industries and professions. They include the entire range of economic sectors and activities in Texas and share a common belief that all participants in our state's economic life have a stake in determining its future.

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