



TAXING MATTERS

NAVIGATING THE EVER-EVOLVING LANDSCAPE OF PROPERTY TAXES

The \$125K BPP Exemption: Good News—But a Mess Coming

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Some genuinely good news for you and for your clients.

For the first time, most small businesses in Texas—law firms, accounting firms, consultants, and similar professional practices—**have been exempted from the business personal property tax system**. If you or your clients have furniture, computers, and equipment worth less than \$125,000, they will no longer owe property taxes on those assets.

That is a significant change. It removes a layer of compliance and cost that, for many of your clients, never made much sense to begin with.

But as is often the case, the implementation is going to be anything but simple. Renditions are due April 15, with an automatic extension to May 15, and taxpayers will have to make decisions quickly—often without clear guidance.

What the Legislature Actually Did

The Legislature enacted § 11.145 of the Texas Tax Code, which provides a \$125,000 exemption for income-producing tangible personal property.

At its core, the rule is straightforward: a person is entitled to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of business personal property. For most taxpayers, that exemption applies based on the property's location. Each location within a taxing unit is treated independently, and all property at that location is aggregated to determine whether the exemption applies.

That means a business with one office gets one \$125,000 exemption. A business with multiple offices may receive multiple exemptions—one for each location—so long as those locations are truly separate and not subject to the statute’s aggregation rules.

Those aggregation rules are important. The statute prevents taxpayers from multiplying the exemption by dividing a single business operation into multiple related entities at the same location. If multiple entities are engaged in a unified business enterprise and operate at the same location, their property must be combined and treated as one.

The statute departs from the “per location” concept in several important ways. When a person owns business personal property that is leased to others, the exemption is not determined on a location-by-location basis. Instead, the owner receives a single \$125,000 exemption for all of its leased property within a taxing unit, regardless of where that property is located. Similarly, when a person owns property that is located at a site the owner does not own or lease—such as equipment placed at a customer’s location—the exemption is applied on a per-taxing unit basis, not per location. In short, mobility collapses the exemption; fixed locations multiply it.

This distinction also has practical consequences. Because the exemption belongs to the property owner, businesses that lease equipment will generally continue to bear property tax as a pass-through expense under their lease and may not see the same benefit as businesses that own their property outright.

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No Application Required—But Don’t Get Comfortable

One important point to note is that this is not an exemption that requires an application. There is no separate form to file to claim it. The statute makes the exemption automatic. It applies to the first \$125,000 of a person’s income-producing tangible personal property in a taxing unit, assuming the property otherwise qualifies.

That sounds simple enough. In practice, it is not.

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The Comptroller’s Silence—and the Resulting Confusion

In the face of all of this, the Texas Comptroller of Public Accounts has provided no meaningful guidance on how this statute is to be applied. What we have instead is the standard rendition form, which now includes two checkboxes: one for property valued at \$125,000 or less, and one for property valued at more than \$125,000. That is the extent of it.

The form does not explain whether a taxpayer who checks the “\$125,000 or less” box must still provide detailed information about their property. It does not explain how the exemption applies in situations involving multiple locations, related entities, leased property, or property that is only partially taxable in Texas.

In short, the form asks the question, but does not tell anyone how to answer it.

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What Appraisal Districts Are Doing

In the absence of guidance, appraisal districts are already all over the map.

Some appraisal districts are taking the position that taxpayers must still file a rendition even if all of their property falls below the \$125,000 threshold, because the property must still be valued before the exemption is applied. Under that view, the exemption reduces the taxable value to zero—but does not eliminate the obligation to report.

Other districts are taking a more relaxed approach. From the reports we are receiving—from appraisal districts, professional organizations, and third-party appraisers—the only thing that is consistent so far is

inconsistency.

Interstate Property and Allocation Issues

The confusion becomes even more pronounced when dealing with property that moves in interstate commerce—such as aircraft, vehicles, vessels, and similar assets.

For these types of property, Texas typically taxes only a portion of the value based on allocation formulas such as miles flown, days in the state, or other usage metrics. The key question is whether the \$125,000 exemption applies to the full value of the property or only to the taxable portion in Texas.

The better reading is that the exemption applies to the post-allocation value. In other words, the exemption is applied after Texas determines the portion of the property’s value that is taxable in the state.

Even so, this is an area where disagreement is likely, particularly in the early years of implementation.

Entity Structuring and Planning Opportunities

The statute also raises important questions about ownership structures.

Because the exemption is granted to a “person,” there will inevitably be situations in which taxpayers consider whether assets—particularly high-value mobile assets such as aircraft—should be held in separate legal entities. If each entity qualifies independently, each may be entitled to its own \$125,000 exemption.

The limiting principle is the statute’s treatment of related business entities operating as a unified business enterprise at the same location. But where property is mobile, or where entities are not operating at the same location, those limitations may not apply in the same way.

This is an area where we can expect both planning and scrutiny.

Practical Advice: Watch Your Notices Carefully

Given all of this, taxpayers need to pay close attention this year.

Even if your business's personal property is below \$125,000 and you believe you are fully exempt, you should still carefully review your Notice of Appraised Value when it arrives. Make sure that the exemption has actually been applied.

If it has not, you will need to file a protest asserting that the exemption was improperly denied.

Do not assume the appraisal district will get this right the first time.

Looking Ahead

This is the first year of a major structural change to the taxation of business personal property in Texas. The statute is broadly written, the guidance is minimal, and the fact patterns are highly variable.

Under those circumstances, uneven application is inevitable.

And where uneven application occurs, litigation is usually not far behind.

These issues will not stay theoretical for long—they will be worked out in protest hearings and, inevitably, in courtrooms.



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