

- SUBJECT:** Exempting the Grand Lodge of Texas from ad valorem taxes
- COMMITTEE:** Ways and Means — favorable, without amendment
- VOTE:** 7 ayes — Craddick, Wolens, Finnell, Heflin, Holzheuser, Oliveira, Place
0 nays
4 absent — Horn, T. Hunter, Marchant, Romo
- SENATE VOTE:** On final passage, April 24 — 30-0
- WITNESSES:** (*On House companion, HJR 3 by Chisum et al.*):

For — Farris L. Benham; James D. Ward; Joe K. Wells, Grand Lodge of Texas

Against — George H. Moff
- BACKGROUND:** The Grand Lodge of the Republic was chartered in 1845 by the Ninth Congress of the Republic. In 1846 the first Legislature chartered what is known today as the Grand Lodge of Texas. The Masonic lodges that are part of the Grand Lodge are considered primarily charitable organizations.
- DIGEST:** SJR 36 would allow the Legislature to exempt from ad valorem (property) taxes an organization established under the Republic of Texas and in continuous existence since if the organization performed primarily charitable, benevolent or public service activities and the property to be exempted was used primarily for charitable, benevolent or public service activities.
- The proposal would be presented to voters at an election on November 7, 1995. The ballot proposal would read: "The constitutional amendment to authorize the legislature to exempt from ad valorem taxation property of an organization chartered by the Congress of the Republic of Texas that is used primarily for charitable, benevolent, or public service activities of the organization." If approved, the proposal would take effect January 1, 1995.

**SUPPORTERS
SAY:**

The Grand Lodge of Texas has a long history in Texas as a valuable service organization. Many of the buildings owned by Masonic lodges have been designated as historical buildings, but may have to be given up because the lodges cannot keep up with rising local property taxes. A statewide tax exemption should be granted in order to preserve this organization as a part of Texas history.

The Grand Lodge of Texas was the first school system in Texas, and it continues to provide educational programs today with programs to combat illiteracy and treat dyslexia. The lodge also supports charitable hospitals and other support services. The property taxes imposed on lodge real estate are draining resources away from the charitable and service aspects of the lodges. Granting this organization an exemption from property taxation would allow it to continue to provide valuable charitable services to communities across Texas. The voters would have to agree to this exemption in a statewide election.

**OPPONENTS
SAY:**

This proposal would give a single organization a blanket statewide break from paying taxes when it has not been immune from such taxation during its last 150 years of operation.

The Grand Lodge of Texas is an exclusive fraternal organization. In order to join the lodge, a person must be sponsored by a member. While the organization does not discriminate in providing charitable services, its membership practices may not be something the state wants to subsidize. At least the implementing legislation should make a requirement similar to the one the Tax Code makes of certain community service clubs that are granted a tax exemption: that they be open to membership without regard to race, religion or national origin.

The comptroller has estimated that exempting Masonic lodges would mean a yearly loss in revenue of \$508,300 to school districts, \$233,100 to cities, and \$197,400 to counties, or a total loss of \$938,800 every year. While these organizations serve a valuable purpose, the question is whether that purpose is worth nearly \$1 million per year in lost tax revenues. While it is unlikely, there may be other organizations that could qualify for this exemption, increasing the lost tax revenues.

OTHER
OPPONENTS
SAY:

If this fraternal, charitable organization can receive a tax exemption simply because it has been in operation for 150 years, there is no reason not to grant that same exemption to similar benevolent or fraternal organizations in existence a shorter time.

NOTES:

SB 1654 by Montford, the implementing legislation to SJR 36, is also on today's calendar. SB 1654 would amend Tax Code sec. 11.23 to exempt from taxation the real property of an organization existing since its charter during the Republic if the organization performs charitable, benevolent or public service activities and the property is used primarily for those activities and not for producing a profit.

The House companions, HB 1580 and HJR 3, both by Chisum, were reported favorably by the House Ways and Means Committee.

HJR 103 by Seidlits, introduced during the 73rd Legislative session, would have exempted from property taxation property of a benevolent or fraternal organization. HJR 103 was referred to the House Ways and Means Committee, where no action was taken.