

BILL ANALYSIS

Senate Research Center
77R6698 SMH-D

H.B. 1689
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Engrossed

DIGEST AND PURPOSE

Under the Texas Constitution, property used by institutions that are engaged primarily in public charitable functions are exempt from property taxation. In Texas, different types of real property receive different tax treatments. As property values and property taxes increase, charitable organizations may use a larger portion of their limited financial resources for property tax payments and may be discouraged from performing additional charitable activities if they are levied with a property tax. To encourage charitable organizations, a property tax exemption for properties not held for profit by organizations primarily engaged in public charity may assist in the continuing efforts of the charity. H.B. 1689 exempts certain charitable organizations from ad valorem taxes.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the state comptroller in SECTION 1 (Section 11.184, Tax Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 11B, Tax Code, by adding Section 11.184, as follows:

Sec. 11.184. ORGANIZATIONS ENGAGED PRIMARILY IN PERFORMING CHARITABLE FUNCTIONS. (a) Defines "local charitable organization," "qualified charitable organization," and "statewide charitable organization."

(b) Entitles a qualified charitable organization to an exemption from taxation of certain property.

(c) Provides that use of exempt property by persons who are not charitable organizations eligible for an exemption from taxation under this section or Section 11.18 does not result in the loss of an exemption authorized by this section if the use is incidental to use by those charitable organizations and limited to activities that benefit the charitable organization that owns or uses the property.

(d) Requires an organization, before it may submit an application for an exemption under this section, to apply to the comptroller for a determination of whether the organization is engaged primarily in performing functions listed in Section 11.18(d) and is eligible for an exemption under this section. Requires the comptroller to consider certain factors in making the determination.

(e) Authorizes the comptroller, not later than the 30th day after the date the organization submits an application under Subsection (d), to request that the organization provide additional information the comptroller determines necessary. Requires the comptroller, not later than the 90th day after the date the application is submitted or, if applicable, the date the additional information is provided, to issue a letter to the organization stating the comptroller's determination.

(f) Authorizes the comptroller to: adopt rules to implement this section; prescribe the form of an application for a determination letter under this section; and charge an organization a fee not to exceed the administrative costs of processing a request, making a determination, and issuing a determination letter under this section.

(g) Requires an organization applying for an exemption under this section to submit with the application a copy of the determination letter issued by the comptroller under Subsection (e). Requires the chief appraiser to accept the copy of the letter as conclusive evidence as to whether the organization engages primarily in performing charitable functions and is eligible for an exemption under this section.

(h) Prohibits a property from being exempted under Subsection (b)(2) for more than three years.

(i) Provides that, for purposes of Subsection (b)(2), an incomplete improvement is under physical preparation if the charitable organization has: engaged in architectural or engineering work, soil testing, land clearing activities, or site improvement work necessary for the construction of the improvement; or conducted an environmental or land use study relating to the construction of the improvement.

(j) Provides that an exemption under this section expires at the end of the fifth tax year after the year in which the exemption is granted. Requires an organization, in order to continue to receive an exemption under this section after that year, to obtain a new determination letter and reapply for the exemption.

SECTION 2. Amends Section 11.43(b), Tax Code, to make a nonsubstantive change.

SECTION 3. (a) Effective date: September 1, 2001.

(b) Prohibits an organization from receiving an exemption under Section 11.184, Tax Code, as added by this Act, before the tax year that begins January 1, 2002.