

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 1554
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Intergovernmental Relations
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Committee Report (Substituted)

DIGEST AND PURPOSE

Currently under the Texas Constitution, property used by an institution engaged purely in public charity is exempt from property taxation. However, property that is used by an institution that is engaged primarily in public charitable activities, including conducting functions on the property to support those activities, is not exempt. As property values and property taxes increase, institutions that are engaged primarily in public charitable activities are forced to dedicate a larger portion of their limited financial resources for property tax payments, leaving less money available to perform the charitable work and public service they provide. C.S.S.B. 1554 establishes a property tax exemption for non-profit facilities owned by organizations primarily engaged in public charity.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the comptroller of public accounts 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) Provides that a qualified charitable organization is entitled to certain tax exemptions.
- (c) Provides that the 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 under certain conditions.
- (d) Requires an organization, before it is authorized to submit an application for 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, by a certain date, to request that the organization provide additional information the comptroller determines necessary. Requires the comptroller, by a certain date, to issue a letter to the organization stating the comptroller's determination.
- (f) Requires the comptroller to perform certain functions, including adopting rules to implement 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 certain conditions are met.

(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, 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 require, except as provided by Subsection (c) and by Sections 11.184 and 11.436, a person required to apply for an exemption to apply each year the person claims entitlement to the exemption.

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.

SUMMARY OF COMMITTEE CHANGES

Amends As Filed S.B. 1554 as follows:

SECTION 1. Amends proposed new Section 11.184(f), Tax Code, to require, rather than authorize, the comptroller to perform certain functions, including adopting rules to implement this section.

SECTIONS 2 - 3. No change.