

BILL ANALYSIS

Senate Research Center

H.B. 1185
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Finance
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Engrossed

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

Current Texas law requires that the real and personal property of nonprofit educational institutions be exempted from taxation as long as the property is intended for or incidental to educational functions. In order to avoid exposing its assets to potential legal and environmental liability when acquiring property, educational institutions may choose to establish subsidiary organizations through which to acquire property. Any property acquired by a subsidiary organization of an educational institution does not receive the same tax-exempt status.

H.B. 1185 makes properties purchased through an education institution's subsidiary organization eligible for the same tax-exempt status enjoyed by the educational institution. As a result, educational institutions would be able to properly protect themselves from liability without negating the tax-exempt status afforded by the legislature.

A non-profit organization is eligible to receive an exemption from property taxes if the organization is in the process of building a school on the property. The Tax Code states that the maximum number of years that a non-profit organizations may claim this exemption for five years. In Chapter 288, Acts of the 78 Legislature, Regular Session 2003, the maximum exemption was changed to three years. This change will be effective beginning with the 2006 tax year.

H.B. 1185 extends the number of years that a non-profit may claim this exemption to seven years.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 11.21, Tax Code, by adding Subsection (a-1) and amending Subsection (g), as follows:

(a-1) Sets forth conditions by which a person is entitled to an exemption from taxation of the buildings and tangible personal property that the person owns and that are used for a school.

(g) Prohibits a property from being exempted under Subsection (a)(2) for more than seven, rather than five, years.

SECTION 2. Amends Section 11.201(a), Tax Code, to make a conforming change.

SECTION 3. Repealer: Section 2.05 (relating to prohibiting a property from being exempt for more than three years), Chapter 288, Acts of the 78th Legislature, Regular Session, 2003.

SECTION 4. Makes application of this Act prospective.

SECTION 5. Effective date: January 1, 2006.