

BILL ANALYSIS

Senate Research Center
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S.B. 1455
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Finance
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

This legislation ensures proper use of education funds and property tax relief for public charter schools. Facilities leased to public charter schools should be exempt from real property taxes for the duration of the lease so that the savings can be best-used in the classroom. This issue affects a small percentage of charter schools that need property tax relief. The legislature can provide charter school students with the same opportunity as other Texas public school students.

This is not a special exception for charters; just a fix for the Tax Code. Charter schools that lease do not fall under the exemption stated in Section 11.21 (Schools) of the Tax Code. That exemption only applies to schools that also own their property.

Traditional and private schools do not pay property taxes. Public charters that own their property do not pay property taxes, but public charter schools that lease their facilities pay property taxes. Public charter schools, by law, are not able to levy taxes, and they do not receive facilities funding from the state. Charters that lease buildings use instructional dollars to pay property taxes to their local governments which go, in part, to fund the local school district facilities.

Any money a public charter puts toward property taxes is money that could have been spent on teacher salaries, improved technology, curriculum expansion, and many other critical items in the classroom. This legislation will return funds to the classroom by making property leased by a private owner to a public, open-enrollment charter school exempt from real property taxes for the duration of the lease agreement.

As proposed, S.B. 1455 amends current law relating to the exemption from ad valorem taxation of real property leased to and used by certain schools.

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 Subchapter B, Chapter 11, Tax Code, by adding Section 11.211, as follows:

Sec. 11.211. REAL PROPERTY LEASED TO CERTAIN SCHOOLS. Entitles a person to an exemption from taxation of the real property that the person owns and leases to a school that is qualified as provided by Section 11.21(d) (relating to necessary qualifications for an entity to be considered a school regarding taxable exemptions) if:

- (1) the real property is used exclusively by the school for educational functions;
- (2) the real property is reasonably necessary for the operation of the school;
- (3) the owner certifies by affidavit to the school that the rent for the lease of the real property will be reduced by an amount equal to the amount by which the taxes on the property are reduced as a result of the exemption;

(4) the owner provides the school with a disclosure document stating the amount by which the taxes on the real property are reduced as a result of the exemption and the method the owner will implement to ensure that the rent charged for the lease of the property fully reflects that reduction; and

(5) the rent charged for the lease of the real property reflects the reduction in the amount of taxes on the property resulting from the exemption through a monthly or annual credit against the rent.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: January 1, 2014, contingent upon approval by the voters of the constitutional amendment relating to authorizing the legislature to exempt from ad valorem taxation real property leased to certain schools organized and operated primarily for the purpose of engaging in educational functions.