

## **BILL ANALYSIS**

Senate Research Center  
84R7964 CJC-F

S.B. 545  
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Finance  
2/17/2015  
As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Under the current Tax Code, land that is leased to certain schools remains subject to property tax even if the land is used for educational or school-related purposes.

S.B. 545 amends Chapter 11 of the Tax Code by adding the newly created Section 11.211 (Real Property Leased To Certain Schools), to include a property tax exemption for real property leased to certain schools that is used exclusively by the school for educational functions and are necessary for the operation of the school.

Furthermore, S.B. 545 contains provisions that require that any rent or lease payments charged to the school by a landowner will be reduced in an amount equal to the reduction as a result of the property tax exemption.

S.B. 545 requires that the owner of the property submit a disclosure document stating to the leaseholder the amount of the property tax reduction, and the respective method by which the owner will ensure that the lease-payments are reduced by the property tax exemption, including a monthly or annual credit against any future lease or rental payments.

As proposed, S.B. 545 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. Provides that a person is entitled 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) (requiring an organization (whether operated by an individual, as a corporation, or as an association) to meet certain criteria to qualify as a school for the purposes of this section) 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, 2016, contingent upon passage of the constitutional amendment 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.