

## **BILL ANALYSIS**

Senate Research Center  
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S.B. 1030  
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Finance  
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### **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. 1030 amends Chapter 11, Tax Code, by adding Section 11.211 (Real Property Leased to Certain Schools) to include a property tax exemption for real property leased to certain schools that are used exclusively by the school for educational functions and are necessary for the operation of the school.

Furthermore, S.B. 1030 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. 1030 also requires that the owner of the property submit a disclosure document stating to the leaseholder the amount of the property tax reduction and the 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. 1030 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. (a) Provides that a person is entitled to an exemption from taxation of the real property that the person owns and leases to an open-enrollment charter school authorized by Subchapter D (Open-Enrollment Charter School), Chapter 12 (Charters), Education Code, that is qualified as provided by Section 11.21(d) (relating to the requirements for an organization to qualify as a school for the purposes of this section) of this code 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.

(b) Provides that Section 25.07 (Leasehold and Other Possessory Interests in Exempt Property) does not apply to a leasehold interest in property for which the owner receives an exemption.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: January 1, 2018, 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.