

- SUBJECT:** Tax exemption for property owned by religious organizations
- COMMITTEE:** Ways and Means — committee substitute recommended
- VOTE:** 6 ayes — Keffer, Ritter, Otto, Y. Davis, Paxton, Pitts
0 nays
3 absent — Bonnen, Flores, Pena
- WITNESSES:** For — Randall Bard, Christ Lutheran Church (*Registered, but did not testify*: Jonathan Saenz, Free Market Foundation)
Against — None
- BACKGROUND:** Art. 8, sec. 2(a) of the Texas Constitution authorizes the Legislature to exempt from taxation places of religious worship. In 2003, Texas voters approved Proposition 3 (HJR 55 by Zedler, 78th Legislature) which extended this provision to include non-income producing land owned for the purpose of expanding a place of worship or for construction of a place of worship.
- Under Tax Code, sec. 11.20(j)(6), a religious organization is entitled to exemption from taxation of land owned for expansion or construction of a place of worship if a portion of the same tract of land owned by the organization qualifies for tax exemption and if the land is not revenue producing. If such land is contiguous to the organization's regular place of worship, the land can be exempt for up to six years. If the land is not contiguous, it can be exempt for up to three years.
- If tax exempt land owned by a religious organization for expansion or construction of a place of worship is sold or transferred in the year in which it receives an exemption, an additional tax is imposed on the land equal to the tax that would have been imposed had the land been taxed for each of the five preceding years, plus interest at a 7 percent annualized rate.

DIGEST:

Under CSHB 1606, land that was contiguous to a religious organization's regular place of worship could be exempt from taxation for up to 15 years if the tract of land did not exceed three acres or for up to 10 years if the tract of land exceeded three acres. A tract of land that was not contiguous, it could be tax exempt for up to five years.

If such land was sold or transferred, taxes would be due for the seven preceding years, plus 7 percent interest for each year. This sanction would not apply to property transferred to an educational, religious, or charitable organization.

The bill would take effect January 1, 2008, and would apply to tax years beginning on or after that date.