

1-1 By: Zedler, et al. (Senate Sponsor - Janek) H.B. No. 1278  
1-2 (In the Senate - Received from the House May 13, 2003;  
1-3 May 14, 2003, read first time and referred to Committee on Finance;  
1-4 May 24, 2003, reported adversely, with favorable Committee  
1-5 Substitute by the following vote: Yeas 12, Nays 0; May 24, 2003,  
1-6 sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR H.B. No. 1278 By: Janek

1-8 A BILL TO BE ENTITLED  
1-9 AN ACT

1-10 relating to an exemption from ad valorem taxation for property  
1-11 owned by a religious organization that is leased for use as a school  
1-12 or that is owned with the intent of expanding or constructing a  
1-13 religious facility.

1-14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-15 SECTION 1. Section 11.20, Tax Code, is amended by amending  
1-16 Subsection (a) and adding Subsections (h) and (i) to read as  
1-17 follows:

1-18 (a) An organization that qualifies as a religious  
1-19 organization as provided by Subsection (c) [~~of this section~~] is  
1-20 entitled to an exemption from taxation of:

1-21 (1) the real property that is owned by the religious  
1-22 organization, is used primarily as a place of regular religious  
1-23 worship, and is reasonably necessary for engaging in religious  
1-24 worship;

1-25 (2) the tangible personal property that is owned by  
1-26 the religious organization and is reasonably necessary for  
1-27 engaging in worship at the place of worship specified in  
1-28 Subdivision (1) [~~of this subsection~~];

1-29 (3) the real property that is owned by the religious  
1-30 organization and is reasonably necessary for use as a residence  
1-31 (but not more than one acre of land for each residence) if the  
1-32 property:

1-33 (A) is used exclusively as a residence for those  
1-34 individuals whose principal occupation is to serve in the clergy of  
1-35 the religious organization; and

1-36 (B) produces no revenue for the religious  
1-37 organization;

1-38 (4) the tangible personal property that is owned by  
1-39 the religious organization and is reasonably necessary for use of  
1-40 the residence specified by Subdivision (3) [~~of this subsection~~];  
1-41 [~~and~~]

1-42 (5) the real property owned by the religious  
1-43 organization consisting of:

1-44 (A) an incomplete improvement that is under  
1-45 active construction or other physical preparation and that is  
1-46 designed and intended to be used by the religious organization as a  
1-47 place of regular religious worship when complete; and

1-48 (B) the land on which the incomplete improvement  
1-49 is located that will be reasonably necessary for the religious  
1-50 organization's use of the improvement as a place of regular  
1-51 religious worship;

1-52 (6) the land that the religious organization owns for  
1-53 the purpose of expansion of the religious organization's place of  
1-54 regular religious worship or construction of a new place of regular  
1-55 religious worship if:

1-56 (A) the religious organization qualifies other  
1-57 property, including a portion of the same tract or parcel of land,  
1-58 owned by the organization for an exemption under Subdivision (1) or  
1-59 (5); and

1-60 (B) the land produces no revenue for the  
1-61 religious organization; and

1-62 (7) the real property owned by the religious  
1-63 organization that is leased to another person and used by that

2-1 person for the operation of a school that qualifies as a school  
2-2 under Section 11.21(d).

2-3 (h) A tract of land that is contiguous to the tract of land  
2-4 on which the religious organization's place of regular religious  
2-5 worship is located may not be exempted under Subsection (a)(6) for  
2-6 more than six years. A tract of land that is not contiguous to the  
2-7 tract of land on which the religious organization's place of  
2-8 regular religious worship is located may not be exempted under  
2-9 Subsection (a)(6) for more than three years. For purposes of this  
2-10 subsection, a tract of land is considered to be contiguous with  
2-11 another tract of land if the tracts are divided only by a road,  
2-12 railroad track, river, or stream.

2-13 (i) For purposes of Subsection (a)(6), an application or  
2-14 statement accompanying an application for the exemption stating  
2-15 that the land is owned for the purposes described by Subsection  
2-16 (a)(6) and signed by an authorized officer of the organization is  
2-17 sufficient to establish that the land is owned for those purposes.

2-18 SECTION 2. Subchapter B, Chapter 11, Tax Code, is amended by  
2-19 adding Section 11.201 to read as follows:

2-20 Sec. 11.201. ADDITIONAL TAX ON SALE OF CERTAIN RELIGIOUS  
2-21 ORGANIZATION PROPERTY. (a) If land is sold or otherwise  
2-22 transferred to another person in a year in which the land receives  
2-23 an exemption under Section 11.20(a)(6), an additional tax is  
2-24 imposed on the land equal to the tax that would have been imposed on  
2-25 the land had the land been taxed for each of the five years  
2-26 preceding the year in which the sale or transfer occurs in which the  
2-27 land received an exemption under that subsection, plus interest at  
2-28 an annual rate of seven percent calculated from the dates on which  
2-29 the taxes would have become due.

2-30 (b) A tax lien attaches to the land on the date the sale or  
2-31 transfer occurs to secure payment of the tax and interest imposed by  
2-32 this section and any penalties incurred. The lien exists in favor  
2-33 of all taxing units for which the tax is imposed.

2-34 (c) If only part of a parcel of land that is exempted under  
2-35 Section 11.20(a)(6) is sold or transferred, the tax applies only to  
2-36 that part of the parcel and equals the taxes that would have been  
2-37 imposed had that part been taxed.

2-38 (d) The assessor for each taxing unit shall prepare and  
2-39 deliver a bill for the additional taxes plus interest as soon as  
2-40 practicable after the sale or transfer occurs. The taxes and  
2-41 interest are due and become delinquent and incur penalties and  
2-42 interest as provided by law for ad valorem taxes imposed by the  
2-43 taxing unit if not paid before the next February 1 that is at least  
2-44 20 days after the date the bill is delivered to the owner of the  
2-45 land.

2-46 (e) The sanctions provided by Subsection (a) do not apply if  
2-47 the sale or transfer occurs as a result of:

- 2-48 (1) a sale for right-of-way;
- 2-49 (2) a condemnation;
- 2-50 (3) a transfer of property to the state or a political  
2-51 subdivision of the state to be used for a public purpose; or
- 2-52 (4) a transfer of property to a religious organization  
2-53 that qualifies the property for an exemption under Section 11.20  
2-54 for the tax year in which the transfer occurs.

2-55 SECTION 3. This Act takes effect January 1, 2004, and  
2-56 applies only to a tax year that begins on or after that date, but  
2-57 only if the constitutional amendment proposed by the 78th  
2-58 Legislature, Regular Session, 2003, to authorize the legislature to  
2-59 exempt from ad valorem taxation property owned by a religious  
2-60 organization that is leased for use as a school or that is owned  
2-61 with the intent of expanding or constructing a religious facility  
2-62 is approved by the voters. If that amendment is not approved by the  
2-63 voters, this Act has no effect.

2-64 \* \* \* \* \*