

1 AN ACT

2 relating to the extension of the period for which an incomplete  
3 improvement on property owned by certain nonprofit organizations  
4 may be exempted from ad valorem taxation and exempting from  
5 additional taxes open-space land converted by certain nonprofit  
6 organizations for certain charitable purposes.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

8 ARTICLE 1. CHANGES EFFECTIVE BEGINNING WITH 2003 TAX YEAR

9 SECTION 1.01. Section 11.18(m), Tax Code, is amended to  
10 read as follows:

11 (m) A property may not be exempted under Subsection (a)(2)  
12 for more than five [~~three~~] years.

13 SECTION 1.02. Section 11.184(i), Tax Code, as added by  
14 Chapter 1040, Acts of the 77th Legislature, Regular Session, 2001,  
15 is amended to read as follows:

16 (i) A property may not be exempted under Subsection (c)(2)  
17 for more than five [~~three~~] years.

18 SECTION 1.03. Section 11.19(e), Tax Code, is amended to  
19 read as follows:

20 (e) A property may not be exempted under Subsection (a)(2)  
21 for more than five [~~three~~] years.

22 SECTION 1.04. Section 11.20(f), Tax Code, is amended to  
23 read as follows:

24 (f) A property may not be exempted under Subsection (a)(5)

1 for more than five [~~three~~] years.

2 SECTION 1.05. Section 11.21(g), Tax Code, is amended to  
3 read as follows:

4 (g) A property may not be exempted under Subsection (a)(2)  
5 for more than five [~~three~~] years.

6 SECTION 1.06. Section 11.23(1), Tax Code, is amended to  
7 read as follows:

8 (1) Incomplete Improvements. A person described by  
9 Subsection (a)-(e), (g), or (i)-(k) is entitled to an exemption  
10 from taxation of the real property owned by the person consisting of  
11 an incomplete improvement that is under active construction or  
12 other physical preparation and that is designed and intended to be  
13 used by the person for a purpose described by that subsection when  
14 complete and the land on which the incomplete improvement is  
15 located that will be reasonably necessary for the person's use of  
16 the improvement for that purpose. A property may not be exempted  
17 under this subsection for more than five [~~three~~] years. For  
18 purposes of this subsection, an incomplete improvement is under  
19 physical preparation if the person has:

20 (1) engaged in architectural or engineering work, soil  
21 testing, land clearing activities, or site improvement work  
22 necessary for the construction of the improvement; or

23 (2) conducted an environmental or land use study  
24 relating to the construction of the improvement.

25 SECTION 1.07. Section 11.30(b), Tax Code, is amended to  
26 read as follows:

27 (b) A property may not be exempted under Subsection (a)(2)

1 for more than five [~~three~~] years.

2 SECTION 1.08. Section 23.55, Tax Code, is amended by adding  
3 Subsection (m) to read as follows:

4 (m) The sanctions provided by Subsection (a) do not apply to  
5 land owned by an organization that qualifies as a charitable  
6 organization under Section 11.18(c), is organized exclusively to  
7 perform religious or charitable purposes, and engages in performing  
8 the charitable functions described by Section 11.18(d)(19), if the  
9 organization converts the land to a use for which the land is  
10 eligible for an exemption under Section 11.18(d)(19) within five  
11 years.

12 ARTICLE 2. CHANGES EFFECTIVE BEGINNING WITH 2006 TAX YEAR

13 SECTION 2.01. Section 11.18(m), Tax Code, is amended to  
14 read as follows:

15 (m) A property may not be exempted under Subsection (a)(2)  
16 for more than three years.

17 SECTION 2.02. Section 11.184(i), Tax Code, as added by  
18 Chapter 1040, Acts of the 77th Legislature, Regular Session, 2001,  
19 is amended to read as follows:

20 (i) A property may not be exempted under Subsection (c)(2)  
21 for more than three years.

22 SECTION 2.03. Section 11.19(e), Tax Code, is amended to  
23 read as follows:

24 (e) A property may not be exempted under Subsection (a)(2)  
25 for more than three years.

26 SECTION 2.04. Section 11.20(f), Tax Code, is amended to  
27 read as follows:

1           (f) A property may not be exempted under Subsection (a)(5)  
2 for more than three years.

3           SECTION 2.05. Section 11.21(g), Tax Code, is amended to  
4 read as follows:

5           (g) A property may not be exempted under Subsection (a)(2)  
6 for more than three years.

7           SECTION 2.06. Section 11.23(1), Tax Code, is amended to  
8 read as follows:

9           (1) Incomplete Improvements. A person described by  
10 Subsection (a)-(e), (g), or (i)-(k) is entitled to an exemption  
11 from taxation of the real property owned by the person consisting of  
12 an incomplete improvement that is under active construction or  
13 other physical preparation and that is designed and intended to be  
14 used by the person for a purpose described by that subsection when  
15 complete and the land on which the incomplete improvement is  
16 located that will be reasonably necessary for the person's use of  
17 the improvement for that purpose. A property may not be exempted  
18 under this subsection for more than three years. For purposes of  
19 this subsection, an incomplete improvement is under physical  
20 preparation if the person has:

21           (1) engaged in architectural or engineering work, soil  
22 testing, land clearing activities, or site improvement work  
23 necessary for the construction of the improvement; or

24           (2) conducted an environmental or land use study  
25 relating to the construction of the improvement.

26           SECTION 2.07. Section 11.30(b), Tax Code, is amended to  
27 read as follows:

1 (b) A property may not be exempted under Subsection (a)(2)  
2 for more than three years.

3 ARTICLE 3. EFFECTIVE DATE; TRANSITION

4 SECTION 3.01. (a) Except as provided by Subsection (b) of  
5 this section:

6 (1) this Act takes effect immediately if it receives a  
7 vote of two-thirds of all the members elected to each house, as  
8 provided by Section 39, Article III, Texas Constitution; and

9 (2) if this Act does not receive the vote necessary for  
10 immediate effect, this Act takes effect September 1, 2003.

11 (b) Article 2 of this Act takes effect January 1, 2006.

12 SECTION 3.02. (a) Article 1 of this Act applies only to a  
13 tax year beginning on or after January 1, 2003.

14 (b) Notwithstanding Section 11.43, Tax Code, property that  
15 was exempted from taxation under Section 11.18(a)(2), Tax Code,  
16 Section 11.184(c)(2), Tax Code, as added by Chapter 1040, Acts of  
17 the 77th Legislature, Regular Session, 2001, or Section  
18 11.19(a)(2), 11.20(a)(5), 11.21(a)(2), 11.23(1), or 11.30(a)(2),  
19 Tax Code, for the three years preceding the 2003 tax year is  
20 entitled to an exemption under the applicable provision for the  
21 2003 tax year regardless of whether the owner of the property  
22 applies for the exemption for the 2003 tax year if the property  
23 otherwise qualifies for the exemption. The chief appraiser of the  
24 appraisal district in which the property is located may require the  
25 owner of the property to file an application for the exemption to  
26 confirm the owner's qualification for the exemption for the 2003  
27 tax year.

1           (c) Article 2 of this Act applies only to a tax year  
2 beginning on or after January 1, 2006.

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President of the Senate

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Speaker of the House

I certify that H.B. No. 2416 was passed by the House on May 10, 2003, by the following vote: Yeas 143, Nays 0, 2 present, not voting.

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Chief Clerk of the House

I certify that H.B. No. 2416 was passed by the Senate on May 28, 2003, by the following vote: Yeas 31, Nays 0.

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Secretary of the Senate

APPROVED: \_\_\_\_\_

Date

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Governor