

## **BILL ANALYSIS**

H.B. 1185  
By: Smithee  
Ways & Means  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Under current law, a nonprofit organization is eligible to receive an exemption from property taxes if the organization is in the process of building a school on the property. The Tax Code states that the maximum number of years that a non-profit organization may claim this exemption is five (5) years. In Chapter 288 of the Acts of the 78th Legislature, the maximum exemption is changed to three (3) years. This change will be effective beginning in the tax year of 2006.

In some cases, this is not enough time for the construction of a school to be planned and completed. The length of this exemption is particularly a problem in cases where land is donated to a non-profit organization and the organization then begins the fundraising and planning process for the school upon donation of the land.

H.B. 1185 extends the number of years that a non-profit may claim this exemption to seven (7) years. This will allow non-profit organizations more time to complete school building projects without having to pay property taxes on the property on which the school is being built.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

H.B. 1185 changes the number of years in which a property may be exempted under Section 11.21 of the Tax Code from five years to seven years.

The bill repeals Section 2.05, Chapter 288, Acts of the 78th Legislature, Regular Session, 2003, which changed the maximum exemption to three years beginning in the tax year 2006.

### **EFFECTIVE DATE**

January 1, 2006