

## **BILL ANALYSIS**

C.S.H.B. 1606  
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Ways & Means  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

In 2003, the Legislature passed and the voters approved a constitutional amendment protecting church property from ad valorem taxation. The exemption on many of these properties will expire this year.

C.S.H.B. 1606 extends this tax exemption on contiguous property for 15 years on properties smaller than 3 acres and for 10 years on properties larger than 3 acres. The extension for non-contiguous property is increased from 3 to 5 years. To balance this increase in exemption, the penalty for payment of back taxes on a property sold is increased from 5 years to 7 years.

The bill also clarifies that the expanded penalty for payment of back taxes does not apply if the property is purchased by a 501(c)3 organization.

### **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**

The bill amends Section 11.20 of the tax code to increase the exemption on contiguous property from 6 to 15 years when the property is less than 3 acres or up to 10 years for more than 3 acres.

The bill provides for the exemption on non-contiguous property to increase from 3 to 5 years.

The bill increases the number of years for which taxes must be paid if the property is sold from 5 years of back taxes to 7 years of back taxes.

The bill provides that this Act applies only to ad valorem taxes imposed for a tax year beginning on or after the effective date.

The bill takes effect January 1, 2008/

### **EFFECTIVE DATE**

This Act takes effect January 1, 2008.

### **COMPARISON OF ORIGINAL TO SUBSTITUTE**

The substitute clarifies that the payment requirement of 7 years of back taxes does not apply if the property is purchased by another 501(c)3 organization.