

BILL ANALYSIS

H.B. 1837
By: Taylor
Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Currently, the federal government recognizes 501(c)(6) organizations, such as Chambers of Commerce, as tax exempt by not requiring them to pay federal income tax. The state of Texas exempts 501(c)(6) organizations from paying sales tax in most instances, unless the tax is for something that is being "re-sold."

Unlike 501(c)(3) organizations that are exempted from property tax, the programs of 501(c)(6) organizations provide economic activity to the local communities they are serving. The works of these organizations are primarily financed through membership dues. In many cases, non-profit community business organizations who own their own office building must dedicate a significant portion of their income to property taxes. This is money that otherwise could be used towards initiatives and activities of the organization to further promote the economic well-being and business interests of its members and the community.

HB 1837 exempts 501(c)(6) "non-profit" business organizations from ad valorem taxation on property they own.

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

SECTION 1: Subchapter B, Chapter 11, Tax Code, is amended by adding Section 11.231. Defines "nonprofit community business organization." Entitles certain associations who qualify as a nonprofit community business organization to be exempt from taxation of certain buildings and tangible personal property and real property owned by the community business organization as described under Sec. 11.231. Clarifies exempt property by persons who are not nonprofit community business organizations under Sec. 11.231, does not result in the loss of an exemption if the use is incidental and limited to activities that benefit the beneficiaries of the nonprofit community business organizations that own or use the property. Requires one or more functions a nonprofit community business organization must be engaged primarily in performing to qualify for an exemption under Sec. 11.231. In this section, "building" includes the land that is reasonably necessary for use of, access to, and ornamentation of the building. Clarifies a property may not be exempted under Subsection (b) (2) for more than three years. For purposes of Subsection (b) (2), an incomplete improvement is under physical preparation if the nonprofit community business organization has engaged or conducted certain actions.

SECTION 2: Section 11.42 (d), Tax Code, is amended by adding (d) 11.231.

SECTION 3: Section 11.43 (c), Tax Code, is amended by adding (c) 11.231.

SECTION 4: This Act applies only to an ad valorem tax year that begins on or after the effective date of this Act.

SECTION 5: Effective Date: January 1, 2008.

EFFECTIVE DATE

January 1, 2008

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