

## **BILL ANALYSIS**

C.S.H.B. 2496  
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Ways & Means  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

The 77th Legislature allowed local taxing authorities to exempt charitable organizations from ad valorem taxes. Current law allows the local taxing entities to provide the exemption the charitable organization actually holds title to the property. In some cases, as in the Knights of Columbus, a statewide non profit organization owns title to local chapter property, and because of this, those organizations cannot receive the tax exemption.

Under current law, a "qualified charitable organization" can be a statewide organization, but in order to qualify for the exemption, the statewide organization must actually perform charitable work. In the case of the Knights of Columbus, the non profit corporation that holds title does not perform any charitable work; it serves only to hold title to the property.

CSHB 2496 would grant the exception to a 501(c)(2) organization that holds title for a charitable organization, provided that the exemption would have been granted to the charitable organization if it held title to the property.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **ANALYSIS**

The bill allows 501(c)(2), Internal Revenue Code of 1986, corporations that are holding title to property for a qualified charitable organization that receives a property tax exemption, collects income from the property for a qualified charitable organization that receives a property tax exemption, and turns over the entire amount of that income, less expenses, to a qualified charitable organization that receives a property tax exemption, to also be eligible to receive a property tax exemption.

The bill states that before a 501(c)(2), Internal Revenue Code of 1986, corporation may submit an application for a property tax exemption, the qualified charitable organization for which the corporation holds title to the property must apply to the comptroller to determine certain eligibility requirements for the organization and the corporation. If the comptroller determines that the corporation is eligible to receive the property tax exemption and issues favorable determination letter, the chief appraiser shall accept the copy of the letter as conclusive evidence that the corporation is eligible to receive a property tax exemption.

The bill states that in order for a corporation to continue to receive its property tax exemption, after the fifth year after the year in which the exemption is granted, the qualified charitable organization for which the corporation holds title to property must obtain a new determination letter and the corporation must reapply for the exemption.

The bill applies only to property taxes imposed for a tax year beginning on or after the effective date of the bill.

The bill takes effect January 1, 2008.

### **EFFECTIVE DATE**

C.S.H.B. 2496 80(R)

January 1, 2008.

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

The original bill was not drafted by the Legislative Council, and attempted to accomplish the goal of allowing a 501(c)(2) organization that holds title for a charitable organization to also be allowed a property tax exemption, by amending Section 11.184(c), Tax Code. The substitute is a Legislative Council draft, and accomplishes this goal by adding Subsections (l), (m), and (n) to Section 11.184, Tax Code.

The substitute grants the property tax exemption to a corporation that is not a qualified charitable organization if the organization is exempt from federal income tax and organized as a 501(c)(2); the corporation holds title to the property for, collects income from the property for, and turns over the entire amount of that income, less expenses, to a qualified charitable organization; and the qualified charitable organization would qualify for the exemption if the qualified charitable organization owned the property.

The committee substitute adds language applying current law that requires the corporation seeking the exemption to apply to the Comptroller for a determination of whether the organization is charitable and qualifies for the exemption and must submit the Comptroller's response with the application for exemption submitted to the Chief Appraiser.

The committee substitute also adds language applying current law that requires the organization to obtain a new determination letter and reapply for the exemption every fifth tax year.

The substitute adds language that this Act applies only to ad valorem taxes imposed for a tax year beginning on or after the effective date of this Act.

The substitute changes the effective date from September 1, 2007 to January 1, 2008.