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et al.

H.B. No. 1837

A BILL TO BE ENTITLED

AN ACT

relating to exempting from ad valorem taxation property used by certain nonprofit community business organizations to provide services to aid in the economic development of local communities.

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

SECTION 1. Subchapter B, Chapter 11, Tax Code, is amended by adding Section 11.231 to read as follows:

Sec. 11.231. NONPROFIT COMMUNITY BUSINESS ORGANIZATION PROVIDING ECONOMIC DEVELOPMENT SERVICES TO LOCAL COMMUNITY. (a)

In this section, "nonprofit community business organization" means an organization that meets the following requirements:

(1) the organization has been in existence for at least the preceding five years;

(2) the organization:

(A) is a nonprofit corporation organized under the Texas Non-Profit Corporation Act (Article 1396-1.01 et seq., Vernon's Texas Civil Statutes) or a nonprofit corporation formed under the Texas Nonprofit Corporation Law, as described by Section 1.008, Business Organizations Code;

(B) is a nonprofit organization described by Section 501(c)(6), Internal Revenue Code of 1986; and

(C) is not a statewide organization;

(3) for at least the preceding three years, the organization has maintained a dues-paying membership of at least 50

1 members; and

2 (4) the organization:

3 (A) has a board of directors elected by the
4 members;

5 (B) does not compensate members of the board of
6 directors for service on the board;

7 (C) with respect to its activities in this state,
8 is engaged primarily in performing functions listed in Subsection
9 (d);

10 (D) is primarily supported by membership dues and
11 other income from activities substantially related to its primary
12 functions; and

13 (E) is not, has not formed, and does not
14 financially support a political committee as defined by Section
15 251.001, Election Code.

16 (b) An association that qualifies as a nonprofit community
17 business organization as provided by this section is entitled to an
18 exemption from taxation of:

19 (1) the buildings and tangible personal property that:

20 (A) are owned by the nonprofit community business
21 organization; and

22 (B) except as permitted by Subsection (c), are
23 used exclusively by qualified nonprofit community business
24 organizations to perform their primary functions; and

25 (2) the real property owned by the nonprofit community
26 business organization consisting of:

27 (A) an incomplete improvement that:

1 (i) is under active construction or other
2 physical preparation; and

3 (ii) is designed and intended to be used
4 exclusively by qualified nonprofit community business
5 organizations; and

6 (B) the land on which the incomplete improvement
7 is located that will be reasonably necessary for the use of the
8 improvement by qualified nonprofit community business
9 organizations.

10 (c) Use of exempt property by persons who are not nonprofit
11 community business organizations qualified as provided by this
12 section does not result in the loss of an exemption authorized by
13 this section if the use is incidental to use by qualified nonprofit
14 community business organizations and limited to activities that
15 benefit the beneficiaries of the nonprofit community business
16 organizations that own or use the property.

17 (d) To qualify for an exemption under this section, a
18 nonprofit community business organization must be engaged
19 primarily in performing one or more of the following functions in
20 the local community:

21 (1) promoting the common economic interests of
22 commercial enterprises;

23 (2) improving the business conditions of one or more
24 types of business; or

25 (3) otherwise providing services to aid in economic
26 development.

27 (e) In this section, "building" includes the land that is

1 reasonably necessary for use of, access to, and ornamentation of
2 the building.

3 (f) A property may not be exempted under Subsection (b)(2)
4 for more than three years.

5 (g) For purposes of Subsection (b)(2), an incomplete
6 improvement is under physical preparation if the nonprofit
7 community business organization has:

8 (1) engaged in architectural or engineering work, soil
9 testing, land clearing activities, or site improvement work
10 necessary for the construction of the improvement; or

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

13 SECTION 2. Section 11.42(d), Tax Code, is amended to read as
14 follows:

15 (d) A person who acquires property after January 1 of a tax
16 year may receive an exemption authorized by Section 11.17, 11.18,
17 11.19, 11.20, 11.21, 11.23, 11.231, or 11.30 for the applicable
18 portion of that tax year immediately on qualification for the
19 exemption.

20 SECTION 3. Section 11.43(c), Tax Code, is amended to read as
21 follows:

22 (c) An exemption provided by Section 11.13, 11.17, 11.18,
23 11.182, 11.183, 11.19, 11.20, 11.21, 11.22, 11.23(h), (j), or
24 (j-1), 11.231, 11.29, 11.30, or 11.31, once allowed, need not be
25 claimed in subsequent years, and except as otherwise provided by
26 Subsection (e), the exemption applies to the property until it
27 changes ownership or the person's qualification for the exemption

1 changes. However, the chief appraiser may require a person allowed
2 one of the exemptions in a prior year to file a new application to
3 confirm the person's current qualification for the exemption by
4 delivering a written notice that a new application is required,
5 accompanied by an appropriate application form, to the person
6 previously allowed the exemption.

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

9 SECTION 5. This Act takes effect January 1, 2008.