

By: Taylor

H.B. No. 1837

A BILL TO BE ENTITLED

AN ACT

1  
2 relating to exempting from ad valorem taxation property used by  
3 certain nonprofit community business organizations to provide  
4 services to aid in the economic development of local communities.

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

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

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

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

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

14 (2) the organization is:

15 (A) a nonprofit corporation organized under the  
16 Texas Non-Profit Corporation Act (Article 1396-1.01 et seq.,  
17 Vernon's Texas Civil Statutes) or a nonprofit corporation formed  
18 under the Texas Nonprofit Corporation Law, as described by Section  
19 1.008, Business Organizations Code; and

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

22 (3) for at least the preceding three years, the  
23 organization has maintained a dues-paying membership of at least 50  
24 members; and

1           (4) the organization:

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

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

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

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

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

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

16                           (A) are owned by the nonprofit community business  
17 organization; and

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

21                   (2) the real property owned by the nonprofit community  
22 business organization consisting of:

23                           (A) an incomplete improvement that:

24                                   (i) is under active construction or other  
25 physical preparation; and

26                                   (ii) is designed and intended to be used  
27 exclusively by qualified nonprofit community business

1 organizations; and

2 (B) the land on which the incomplete improvement  
3 is located that will be reasonably necessary for the use of the  
4 improvement by qualified nonprofit community business  
5 organizations.

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

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

17 (1) promoting the common economic interests of  
18 commercial enterprises;

19 (2) improving the business conditions of one or more  
20 types of business; or

21 (3) otherwise providing services to aid in economic  
22 development.

23 (e) In this section, "building" includes the land that is  
24 reasonably necessary for use of, access to, and ornamentation of  
25 the building.

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

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

4           (1) engaged in architectural or engineering work, soil  
5 testing, land clearing activities, or site improvement work  
6 necessary for the construction of the improvement; or

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

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

11       (d) A person who acquires property after January 1 of a tax  
12 year may receive an exemption authorized by Section 11.17, 11.18,  
13 11.19, 11.20, 11.21, 11.23, 11.231, or 11.30 for the applicable  
14 portion of that tax year immediately on qualification for the  
15 exemption.

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

18       (c) An exemption provided by Section 11.13, 11.17, 11.18,  
19 11.182, 11.183, 11.19, 11.20, 11.21, 11.22, 11.23(h), (j), or  
20 (j-1), 11.231, 11.29, 11.30, or 11.31, once allowed, need not be  
21 claimed in subsequent years, and except as otherwise provided by  
22 Subsection (e), the exemption applies to the property until it  
23 changes ownership or the person's qualification for the exemption  
24 changes. However, the chief appraiser may require a person allowed  
25 one of the exemptions in a prior year to file a new application to  
26 confirm the person's current qualification for the exemption by  
27 delivering a written notice that a new application is required,

1 accompanied by an appropriate application form, to the person  
2 previously allowed the exemption.

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

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