

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 1, 2007

TO: Honorable Jim Keffer, Chair, House Committee on Ways & Means

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB2496 by Hughes (Relating to qualification for the exemption from ad valorem taxation for property of organizations engaged primarily in performing charitable functions.),
Committee Report 1st House, Substituted

The bill would amend the Tax Code to allow organizations to qualify for a property tax exemption as a primarily charitable organization under certain situations. As a result, taxable property values could be decreased and the related costs to the Foundation School Fund could be increased.

The bill would amend Section 11.184 of the Tax Code to allow an organization to qualify for a property tax exemption as a primarily charitable organization if the organization's buildings and real property subject to the exemption were owned by a 501(c)(2), Internal Revenue Code corporation holding title for the organization.

Current law requires the real and personal property owned by the applying organization to be owned by that organization.

Because the state is constitutionally prohibited from imposing a state property tax, there would be no direct fiscal impact on the state; however, Section 403.302 of the Government Code requires the Comptroller to conduct a property value study to determine the total taxable value for each school district. Total taxable value is an element in the state's school funding formula. Passage of the bill could cause a change in school district taxable values reported to the Commissioner of Education by the Comptroller.

The bill is estimated to have an impact on the state aid districts receive based on the enrichment tier as tied to the yield of the Austin Independent School District (ISD). To the extent that the bill has the effect of lessening Austin ISD's revenue per weighted student per penny of tax effort, as determined by the Commissioner of Education, the equalized yield on those enrichment pennies would decrease, resulting in a decrease in state aid.

The bill would take effect September 1, 2008.

Local Government Impact

Passage of the bill could result in an undetermined loss of revenue to some local taxing units that do not currently grant a local option exemption to primarily charitable organizations that do not have direct ownership of their real and personal property, but that would qualify for the exemption under the proposed legislation.

The Comptroller's Property Tax Division does not receive or maintain information from appraisal districts and taxing units that would be helpful in determining the impact of the bill.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, SJS