

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**April 10, 2007**

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

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

**IN RE: HB3012** by Chisum (Relating to the requirement that the exemption from ad valorem taxation of property owned by an organization engaged primarily in performing charitable functions be adopted by the governing body of a taxing unit or at an election held in the taxing unit.), **As Introduced**

**Passage of the bill would remove language allowing taxing units an option to grant a property tax exemption to organizations engaged primarily in performing charitable functions and would make the exemption mandatory. As a result, related taxable property values in jurisdictions that do not currently grant this local option could be reduced and the related costs to the Foundation School Fund could be increased.**

The bill would amend Section 11.184 of the Tax Code to remove language allowing taxing units an option to grant a property tax exemption to organizations engaged primarily in performing charitable functions.

The bill would provide for a total property tax exemption on the real and tangible personal property owned by qualified organization engaged primarily in performing charitable functions listed in Section 11.18(d). To qualify, an organization would have to follow current procedures of receiving a letter of determination from the Comptroller stating that the organization meets statutory criteria for determination as an organization engaged primarily in performing charitable functions. Currently, an organization must receive an affirmative letter of determination from the Comptroller and approval by each local taxing unit.

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 this bill could cause a change in school district taxable values reported to the Commissioner of Education by the Comptroller.

Passage of the bill could result in an undetermined loss of revenue to local taxing units that do not currently grant a local option exemption for primarily charitable organizations and have organizations within their jurisdictions that would receive a positive determination statement from the Comptroller stating that the organizations are engaged primarily in performing charitable functions.

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 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 this bill.

The bill would take effect September 1, 2007.

## **Local Government Impact**

Passage of the bill would result in a loss of revenue to local taxing units that do not currently grant a local option exemption for primarily charitable organizations.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JOB, CT, SD, SJS