

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

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

**April 24, 2007**

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

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

**IN RE: HB3043** by Rose (Relating to an exemption from ad valorem taxation for property of certain fraternal organizations.), **As Introduced**

**Passage of the bill would allow an organization to qualify for an ad valorem tax exemption as a charitable organization if the organization qualified for exemption as a corporation under Section 501(c)(8) of the Internal Revenue Code. 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 11.18 of the Tax Code to allow an organization to qualify for an ad valorem tax exemption as a charitable organization if the organization qualified for exemption as a corporation under Section 501(c)(8) of the Internal Revenue Code.

Current law limits the exemption to organizations that qualify for exemption under Section 501(c)(3) of the Internal Revenue Code. Section 501(c)(8) of the Internal Revenue Code exempts from federal taxation a fraternal beneficiary society, order, or association.

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.

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 January 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 charitable organizations that currently qualify under the Internal Revenue Code as Section 501(c)(8) exempt corporations, but that would qualify for an ad valorem tax exemption under the bill.

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.

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

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