

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 17, 2007

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

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

IN RE: SB1296 by Wentworth (Relating to qualification for the exemption from ad valorem taxation for property of organizations engaged primarily in performing charitable functions.),
Committee Report 2nd House, Substituted

Passage of the bill would remove language that gives taxing units an option to grant a property tax exemption to organizations engaged primarily in performing charitable functions. 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 remove language that gives 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.

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 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 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