

By: Wentworth, et al.

S.B. No. 475

A BILL TO BE ENTITLED

1 AN ACT
2 relating to the exemption from ad valorem taxation of property
3 owned by certain organizations engaged primarily in performing
4 charitable functions or in providing services to aid in economic
5 development.

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

7 SECTION 1. Section 11.184, Tax Code, is amended by amending
8 Subsection (c) and adding Subsections (l), (m), and (n) to read as
9 follows:

10 (c) A [~~If approved under Subsection (b), a~~] qualified
11 charitable organization is entitled to an exemption from taxation
12 of:

13 (1) the buildings and other real property and the
14 tangible personal property that:

15 (A) are owned by the organization; and

16 (B) except as permitted by Subsection (d), are
17 used exclusively by the organization and other organizations
18 eligible for an exemption from taxation under this section or
19 Section 11.18; and

20 (2) the real property owned by the organization
21 consisting of:

22 (A) an incomplete improvement that:

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

1 (ii) is designed and intended to be used
2 exclusively by the organization and other organizations eligible
3 for an exemption from taxation under this section or Section 11.18;
4 and

5 (B) the land on which the incomplete improvement
6 is located that will be reasonably necessary for the use of the
7 improvement by the organization and other organizations eligible
8 for an exemption from taxation under this section or Section 11.18.

9 (1) Notwithstanding the other provisions of this section, a
10 corporation that is not a qualified charitable organization is
11 entitled to an exemption from taxation of property under this
12 section if:

13 (1) the corporation is exempt from federal income
14 taxation under Section 501(a), Internal Revenue Code of 1986, by
15 being listed as an exempt entity under Section 501(c)(2) of that
16 code;

17 (2) the corporation holds title to the property for,
18 collects income from the property for, and turns over the entire
19 amount of that income, less expenses, to a qualified charitable
20 organization; and

21 (3) the qualified charitable organization would
22 qualify for an exemption from taxation of the property under this
23 section if the qualified charitable organization owned the
24 property.

25 (m) Before a corporation described by Subsection (1) may
26 submit an application for an exemption under this section, the
27 qualified charitable organization for which the corporation holds

1 title to the property must apply to the comptroller for the
2 determination described by Subsection (e) with regard to the
3 qualified charitable organization. The application for the
4 determination must also include an application to the comptroller
5 for a determination of whether the corporation meets the
6 requirements of Subsections (1)(1) and (2). The corporation shall
7 submit with the application for an exemption under this section a
8 copy of the determination letter issued by the comptroller. The
9 chief appraiser shall accept the copy of the letter as conclusive
10 evidence of the matters described by Subsection (h) as well as of
11 whether the corporation meets the requirements of Subsections
12 (1)(1) and (2).

13 (n) Notwithstanding Subsection (k), in order for a
14 corporation to continue to receive an exemption under Subsection
15 (1) after the fifth tax year after the year in which the exemption
16 is granted, the qualified charitable organization for which the
17 corporation holds title to property must obtain a new determination
18 letter and the corporation must reapply for the exemption.

19 SECTION 2. Subchapter B, Chapter 11, Tax Code, is amended by
20 adding Section 11.231 to read as follows:

21 Sec. 11.231. NONPROFIT COMMUNITY BUSINESS ORGANIZATION
22 PROVIDING ECONOMIC DEVELOPMENT SERVICES TO LOCAL COMMUNITY.

23 (a) In this section, "nonprofit community business organization"
24 means an organization that meets the following requirements:

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

27 (2) the organization:

1 (A) is a nonprofit corporation organized under
2 the Texas Non-Profit Corporation Act (Article 1396-1.01 et seq.,
3 Vernon's Texas Civil Statutes) or a nonprofit corporation formed
4 under the Texas Nonprofit Corporation Law, as described by Section
5 1.008, Business Organizations Code;

6 (B) is a nonprofit organization described by
7 Section 501(c)(6), Internal Revenue Code of 1986; and

8 (C) is not a statewide organization;

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

12 (4) the organization:

13 (A) has a board of directors elected by the
14 members;

15 (B) does not compensate members of the board of
16 directors for service on the board;

17 (C) with respect to its activities in this state,
18 is engaged primarily in performing functions listed in Subsection
19 (d);

20 (D) is primarily supported by membership dues and
21 other income from activities substantially related to its primary
22 functions; and

23 (E) is not, has not formed, and does not
24 financially support a political committee as defined by Section
25 251.001, Election Code.

26 (b) An association that qualifies as a nonprofit community
27 business organization as provided by this section is entitled to an

1 exemption from taxation of:

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

3 (A) are owned by the nonprofit community business
4 organization; and

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

8 (2) the real property owned by the nonprofit community
9 business organization consisting of:

10 (A) an incomplete improvement that:

11 (i) is under active construction or other
12 physical preparation; and

13 (ii) is designed and intended to be used
14 exclusively by qualified nonprofit community business
15 organizations; and

16 (B) the land on which the incomplete improvement
17 is located that will be reasonably necessary for the use of the
18 improvement by qualified nonprofit community business
19 organizations.

20 (c) Use of exempt property by persons who are not nonprofit
21 community business organizations qualified as provided by this
22 section does not result in the loss of an exemption authorized by
23 this section if the use is incidental to use by qualified nonprofit
24 community business organizations and limited to activities that
25 benefit the beneficiaries of the nonprofit community business
26 organizations that own or use the property.

27 (d) To qualify for an exemption under this section, a

1 nonprofit community business organization must be engaged
2 primarily in performing one or more of the following functions in
3 the local community:

4 (1) promoting the common economic interests of
5 commercial enterprises;

6 (2) improving the business conditions of one or more
7 types of business; or

8 (3) otherwise providing services to aid in economic
9 development.

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

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

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

18 (1) engaged in architectural or engineering work, soil
19 testing, land clearing activities, or site improvement work
20 necessary for the construction of the improvement; or

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

23 SECTION 3. Subsection (d), Section 11.42, Tax Code, is
24 amended to read as follows:

25 (d) A person who acquires property after January 1 of a tax
26 year may receive an exemption authorized by Section 11.17, 11.18,
27 11.19, 11.20, 11.21, 11.23, 11.231, or 11.30 for the applicable

1 portion of that tax year immediately on qualification for the
2 exemption.

3 SECTION 4. Subsection (c), Section 11.43, Tax Code, is
4 amended to read as follows:

5 (c) An exemption provided by Section 11.13, 11.17, 11.18,
6 11.182, 11.183, 11.19, 11.20, 11.21, 11.22, 11.23(h), (j), or
7 (j-1), 11.231, 11.29, 11.30, or 11.31, once allowed, need not be
8 claimed in subsequent years, and except as otherwise provided by
9 Subsection (e), the exemption applies to the property until it
10 changes ownership or the person's qualification for the exemption
11 changes. However, the chief appraiser may require a person allowed
12 one of the exemptions in a prior year to file a new application to
13 confirm the person's current qualification for the exemption by
14 delivering a written notice that a new application is required,
15 accompanied by an appropriate application form, to the person
16 previously allowed the exemption.

17 SECTION 5. Subsection (b), Section 11.184, Tax Code, is
18 repealed.

19 SECTION 6. This Act applies only to ad valorem taxes imposed
20 for a tax year that begins on or after the effective date of this
21 Act.

22 SECTION 7. This Act takes effect January 1, 2010.

1 through line 21, by striking SECTION 6 and substituting new SECTION
2 6 as follows:

3 SECTION 6. Section 11.18(d), Tax Code, as amended by
4 Chapters 1034 (H.B. 1742) and 1341 (S.B. 1908), Acts of the 80th
5 Legislature, Regular Session, 2007, is reenacted and amended to
6 read as follows:

7 (d) A charitable organization must be organized exclusively
8 to perform religious, charitable, scientific, literary, or
9 educational purposes and, except as permitted by Subsections (h)
10 and (l), engage exclusively in performing one or more of the
11 following charitable functions:

12 (1) providing medical care without regard to the
13 beneficiaries' ability to pay, which in the case of a nonprofit
14 hospital or hospital system means providing charity care and
15 community benefits in accordance with Section 11.1801;

16 (2) providing support or relief to orphans,
17 delinquent, dependent, or handicapped children in need of
18 residential care, abused or battered spouses or children in need of
19 temporary shelter, the impoverished, or victims of natural disaster
20 without regard to the beneficiaries' ability to pay;

21 (3) providing support without regard to the
22 beneficiaries' ability to pay to:

23 (A) elderly persons, including the provision of:
24 (i) recreational or social activities; and
25 (ii) facilities designed to address the
26 special needs of elderly persons;[7] or

27 (B) [~~to~~] the handicapped, including training and

1 employment under 41 U.S.C. Sections 46-48c:

2 (i) in the production of commodities; or

3 (ii) in the provision of services [~~without~~
4 ~~regard to the beneficiaries' ability to pay~~];

5 (4) preserving a historical landmark or site;

6 (5) promoting or operating a museum, zoo, library,
7 theater of the dramatic or performing arts, or symphony orchestra
8 or choir;

9 (6) promoting or providing humane treatment of
10 animals;

11 (7) acquiring, storing, transporting, selling, or
12 distributing water for public use;

13 (8) answering fire alarms and extinguishing fires with
14 no compensation or only nominal compensation to the members of the
15 organization;

16 (9) promoting the athletic development of boys or
17 girls under the age of 18 years;

18 (10) preserving or conserving wildlife;

19 (11) promoting educational development through loans
20 or scholarships to students;

21 (12) providing halfway house services pursuant to a
22 certification as a halfway house by the parole [~~pardons and~~
23 ~~paroles~~] division of the Texas Department of Criminal Justice;

24 (13) providing permanent housing and related social,
25 health care, and educational facilities for persons who are 62
26 years of age or older without regard to the residents' ability to
27 pay;

1 (14) promoting or operating an art gallery, museum, or
2 collection, in a permanent location or on tour, that is open to the
3 public;

4 (15) providing for the organized solicitation and
5 collection for distributions through gifts, grants, and agreements
6 to nonprofit charitable, education, religious, and youth
7 organizations that provide direct human, health, and welfare
8 services;

9 (16) performing biomedical or scientific research or
10 biomedical or scientific education for the benefit of the public;

11 (17) operating a television station that produces or
12 broadcasts educational, cultural, or other public interest
13 programming and that receives grants from the Corporation for
14 Public Broadcasting under 47 U.S.C. Section 396, as amended;

15 (18) providing housing for low-income and
16 moderate-income families, for unmarried individuals 62 years of age
17 or older, for handicapped individuals, and for families displaced
18 by urban renewal, through the use of trust assets that are
19 irrevocably and, pursuant to a contract entered into before
20 December 31, 1972, contractually dedicated on the sale or
21 disposition of the housing to a charitable organization that
22 performs charitable functions described by Subdivision (9);

23 (19) providing housing and related services to persons
24 who are 62 years of age or older in a retirement community, if the
25 retirement community provides independent living services,
26 assisted living services, and nursing services to its residents on
27 a single campus:

1 (A) without regard to the residents' ability to
2 pay; or

3 (B) in which at least four percent of the
4 retirement community's combined net resident revenue is provided in
5 charitable care to its residents;

6 (20) providing housing on a cooperative basis to
7 students of an institution of higher education if:

8 (A) the organization is exempt from federal
9 income taxation under Section 501(a), Internal Revenue Code of
10 1986, as amended, by being listed as an exempt entity under Section
11 501(c)(3) of that code;

12 (B) membership in the organization is open to all
13 students enrolled in the institution and is not limited to those
14 chosen by current members of the organization;

15 (C) the organization is governed by its members;
16 and

17 (D) the members of the organization share the
18 responsibility for managing the housing;

19 (21) acquiring, holding, and transferring unimproved
20 real property under an urban land bank demonstration program
21 established under Chapter 379C, Local Government Code, as or on
22 behalf of a land bank; or

23 (22) acquiring, holding, and transferring unimproved
24 real property under an urban land bank program established under
25 Chapter 379E, Local Government Code, as or on behalf of a land bank.

26 Taylor

COMMITTEE AMENDMENT NO. 3

1
2 Amend S.B. No. 475 by adding the following appropriately numbered
3 SECTION to the bill and renumbering subsequent SECTIONS of the bill
4 accordingly:

5 SECTION _____. Subchapter B, Chapter 11, Tax Code, is
6 amended by adding Section 11.131 to read as follows:

7 Sec. 11.131. RESIDENCE HOMESTEAD OF 100 PERCENT OR TOTALLY
8 DISABLED VETERAN. (a) In this section:

9 (1) "Disabled veteran" has the meaning assigned by
10 Section 11.22.

11 (2) "Residence homestead" has the meaning assigned by
12 Section 11.13.

13 (b) A disabled veteran who receives from the United States
14 Department of Veterans Affairs or its successor 100 percent
15 disability compensation due to a service-connected disability and a
16 rating of 100 percent disabled or of individual unemployability is
17 entitled to an exemption from taxation of the total appraised value
18 of the veteran's residence homestead.

19 SECTION _____. Section 11.22(a), Tax Code, is amended to
20 read as follows:

21 (a) A disabled veteran is entitled to an exemption from
22 taxation of a portion of the assessed value of a property the
23 veteran owns and designates as provided by Subsection (f) [~~of this~~
24 ~~section~~] in accordance with the following schedule:

25 an exemption of _____ for a disability rating of _____
26 up to: _____ at least: _____ but less [~~not greater~~] than:
27 \$5,000 of the 10% 30%

1	assessed value		
2	7,500	<u>30</u> [31]	50
3	10,000	<u>50</u> [51]	70
4	12,000	<u>70</u> [71] and over	

5 SECTION _____. Section 11.43(c), Tax Code, is amended to
6 read as follows:

7 (c) An exemption provided by Section 11.13, 11.131, 11.17,
8 11.18, 11.182, 11.183, 11.19, 11.20, 11.21, 11.22, 11.23(h), (j),
9 or (j-1), 11.29, 11.30, or 11.31, once allowed, need not be claimed
10 in subsequent years, and except as otherwise provided by Subsection
11 (e), the exemption applies to the property until it changes
12 ownership or the person's qualification for the exemption changes.
13 However, the chief appraiser may require a person allowed one of the
14 exemptions in a prior year to file a new application to confirm the
15 person's current qualification for the exemption by delivering a
16 written notice that a new application is required, accompanied by
17 an appropriate application form, to the person previously allowed
18 the exemption.

19 SECTION _____. Section 11.431(a), Tax Code, is amended to
20 read as follows:

21 (a) The chief appraiser shall accept and approve or deny an
22 application for a residence homestead exemption, including a
23 disabled veteran residence homestead exemption, after the deadline
24 for filing it has passed if it is filed not later than one year after
25 the delinquency date for the taxes on the homestead.

26 SECTION _____. Section 403.302, Government Code, is amended
27 by adding Subsection (d-1) to read as follows:

