

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**May 27, 2009**

**TO:** Honorable David Dewhurst, Lieutenant Governor, Senate

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

**IN RE: SB2442** by Uresti (Relating to the exemption from ad valorem taxation of property owned by certain charitable organizations.), **As Passed 2nd House**

**The bill's provision that would exempt real property owned by a charitable organization and leased to an institution of higher education would create a cost to state through the operation of the school finance formulas by exempting property that would otherwise be taxable.**

**The bill's provision related to a public property exemption for facilities handling of waste by contract with a governmental entity would create a cost to the state through the operation of the school finance formulas because it would exempt a new category of property by defining the property as "public property" which is exempt under the Tax Code.**

The bill would amend Section 11.18(d) of the Tax Code to specify that providing to the handicapped training and employment in producing commodities or services under 41 U.S.C. Sections 46-48c is an eligible charitable function in qualifying for the exemption of property owned by certain charitable organizations. 41 U.S.C. Sections 46-48c sets up a federal committee that helps blind and severely handicapped individuals sell services or commodities. Current law lists providing support to the handicapped as an eligible charitable function but does not elaborate further.

The bill would also amend Section 11.18 of the Tax Code to exempt from property taxes real property owned by a charitable organization and leased to an institution of higher education. The property would be exempt to the same extent that it would be exempt if the institution of higher education owned the property.

The section of the bill added by floor amendment would amend Section 11.11 of the Tax Code to extend a public property exemption to any portion of a facility located on public property of a person, including a charitable organization, under a contract with a governmental entity to capture and convert waste (including gas) from public property, if the person processes and delivers the waste to a common carrier to displace a natural resource, reduces pollution, or processes and converts waste to electrical or other useful energy.

The bill's provision that would exempt real property owned by a charitable organization and leased to an institution of higher education would create a cost to local taxing units and the state by exempting property that would otherwise be taxable. The amount and value of such property is unknown; therefore, the cost cannot be estimated.

The bill's provision related to a public property exemption for facilities handling of waste by contract with a governmental entity would create a cost to taxing units and to the state through the operation of the school finance formulas because it would exempt a new category of property by defining the property as "public property" which is exempt under the Tax Code. No information is available regarding the amount of property that would qualify under the bill. Consequently, the cost cannot be estimated.

Because providing support to the handicapped is already an eligible charitable function in qualifying for the exemption of property owned by certain charitable organizations, this provision would have no significant impact to taxing units or to the state.

The bill would take effect on January 1, 2010, and would apply to a tax year that begins after that date.

### **Local Government Impact**

The bill's provision that would exempt real property owned by a charitable organization and leased to an institution of higher education would create a cost to local taxing units by exempting property that would otherwise be taxable. The amount and value of such property is unknown; therefore, the cost cannot be estimated.

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

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