

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 15, 2009

TO: Honorable Rene Oliveira, Chair, House Committee on Ways & Means

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 Engrossed**

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 the state through the operation of the school finance formulas by exempting property that would otherwise be taxable.

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.

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 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 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 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.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, SD, SJS