

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 29, 2013

TO: Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1459 by Gooden (Relating to the exemption from ad valorem taxation of certain real property leased to and used by charitable organizations.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1459, As Introduced: a negative impact of (\$21,877,000) through the biennium ending August 31, 2015.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	\$0
2015	(\$21,877,000)
2016	(\$49,672,000)
2017	(\$52,399,000)
2018	(\$55,279,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>Foundation School Fund 193</i>	Probable Revenue Gain/(Loss) from <i>School Districts</i>	Probable Revenue Gain/(Loss) from <i>Counties</i>	Probable Revenue Gain/(Loss) from <i>Cities</i>
2014	\$0	\$0	\$0	\$0
2015	(\$21,877,000)	(\$34,754,000)	(\$17,266,000)	(\$19,131,000)
2016	(\$49,672,000)	(\$10,294,000)	(\$18,217,000)	(\$20,220,000)
2017	(\$52,399,000)	(\$11,097,000)	(\$19,222,000)	(\$21,371,000)
2018	(\$55,279,000)	(\$11,954,000)	(\$20,282,000)	(\$22,587,000)

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Other Special Districts</i>
2014	\$0
2015	(\$12,620,000)
2016	(\$13,305,000)
2017	(\$14,027,000)
2018	(\$14,789,000)

Fiscal Analysis

This bill would amend Chapter 11 of the Tax Code related to property tax exemptions by granting a property tax exemption on the real property that a person owns and leases to an organization that meets the requirements for a charitable organization in Sections 11.18(e) and (f) of the Tax Code if:

- 1) The real property is used by the organization primarily for the purpose of performing a charitable function under Section 11.18(d) of the Tax Code;
- 2) the annual rental for the real property is not more than five percent of the property's market value; and
- 3) the real property is reasonably necessary for the operation of the organization.

The bill would make a conforming change in the Tax Code.

The bill would take effect on January 1, 2013, contingent on the adoption of a constitutional amendment.

Methodology

The bill's proposed property tax exemption of certain real property leased to a charitable organization would create a cost to units of local government and to the state through the operation of the school finance formula. A charitable organization would be defined more broadly than in current law because only a portion of the existing requirements would apply. In particular a charitable organization would not be required to meet the following standards that are required for charitable organizations in current law:

- 1) be affiliated with a state or national organization that authorizes, approves, or sanctions volunteer charitable fund-raising organizations;
- 2) qualify for exemption under Section 501(c)(3), Internal Revenue Code;
- 3) be governed by a volunteer board of directors; or
- 4) distribute contributions to at least five other associations to be used for general charitable purposes.

For the purposes of this fiscal analysis, it is assumed the loss to local taxing units and the state would be one percent of the value of multi-family real property and commercial real property.

Local Government Impact

The fiscal implication to units of local government is reflected in the table above and is contingent upon passage of a constitutional amendment authorizing the exemption.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS

