LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

May 12, 2017

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB2999** by Bonnen, Dennis (relating to the exemption from ad valorem taxation of property owned by certain medical centers in certain counties.), **Committee Report 2nd House, Substituted**

No fiscal implication to the State is anticipated.

The bill would amend Chapter 11 of the Tax Code, regarding property tax exemptions, to provide that in a county with a population of 3.3 million or more (Harris County, rather than a county described by Section 201.1055 of the Transportation Code, regarding agreements with private entities), all real and personal property owned by a nonprofit corporation, as that term is defined by Section 22.001 of the Business Organizations Code, organized exclusively for benevolent, charitable, and educational purposes (rather than as defined in the Texas Non-Profit Corporation Act), and held for use as a medical center area or areas in which the nonprofit corporation has donated land for certain specified uses is exempt from property taxation. The bill would add to the existing qualifying uses:

1. research; and
2. auxiliary uses to support benevolent, charitable and educational functions, including the invention, development and dissemination of materials, tools, technologies, processes and similar means for translating and applying medical and scientific research for practical applications to advance public health.

The bill would strike the requirement that the property not be leased or otherwise used with a view to profit.

The bill would add session law to specify that the bill's provisions would not exempt from property taxation any interest in real or personal property, including a leasehold or other possessory interest, of a for-profit lessee of property for which a nonprofit corporation is entitled to an exemption from property taxation.

Section 25.07 of the Tax Code provides (with certain exceptions) that a leasehold or other possessory interest in real property that is exempt from taxation to the owner of the estate or interest encumbered by the possessory interest shall be listed in the name of the owner of the possessory interest if the duration of the interest may be at least one year. Section 23.13 provides that a taxable leasehold that is exempt to the property owner is appraised at the market value of the leasehold. These provisions mean that a property that is leased from an exempt entity by a non-exempt entity is subject to property taxes, and any property that falls under this provision is already considered taxable by the Harris County Appraisal District. All other property owned by the Texas Medical Center, which is the nonprofit corporation in question, is already exempt. The bill's provisions would not change this situation; consequently, the bill would not create a cost to local taxing units or the state.

The bill would take effect on January 1, 2018.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts
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