

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**April 20, 2017**

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

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: SB1809** by Huffman (Relating to the exemption from ad valorem taxation of property owned by certain medical centers in certain counties.), **As Introduced**

**Passage of the bill would add research and certain auxiliary uses of medical center property to the qualifying uses for a property tax exemption in a county with a population of 3.3 million or more. Passage of the bill would also delete the requirement that the property not be leased or otherwise used with a view to profit. As a result, taxable property values in Harris County could be reduced and the related costs to the Foundation School Fund could be increased through the operation of the school finance formulas.**

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's addition of research and certain auxiliary uses of medical center property to the qualifying uses for the property tax exemption, in conjunction with the deletion of the requirement that the property not be leased or otherwise used with a view to profit would create a cost to Harris County taxing units and the state through the school finance formulas. The value of property which might be exempted in Harris County under the bill is unknown; consequently the cost of the bill cannot be estimated.

The bill would take effect on January 1, 2018.

## **Local Government Impact**

Passage of the bill would add research and certain auxiliary uses of medical center property to the qualifying uses for a property tax exemption in a county with a population of 3.3 million or more. Passage of the bill would also delete the requirement that the property not be leased or otherwise used with a view to profit. As a result, taxable property values and the related ad valorem tax revenue for Harris County taxing units could be reduced.

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

**LBB Staff:** UP, KK, SD, SJS