

BILL ANALYSIS

Senate Research Center
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S.B. 2345
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Property Tax
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, Section 11.21, Tax Code allows an exemption from ad valorem taxation of real property to eligible properties that are leased to schools. However, a property owner's entitlement to an exemption from property tax does not extend to property leased to an open-enrollment public charter school. A property owner leasing a facility to a public charter school will often include the property taxes due in the charter school's rent, increasing the school's overall costs to educate its students and diverting resources from the classroom.

As proposed, S.B. 2345 amends current law relating to the exemption from ad valorem taxation of real property leased to and used by certain schools.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter B, Chapter 11, Tax Code, by adding Section 11.211, as follows:

Sec. 11.211. REAL PROPERTY LEASED TO CERTAIN SCHOOLS. (a) Provides that a person is entitled to an exemption from taxation of the portion of the real property that the person owns and leases to an open-enrollment charter school authorized by Subchapter D (Open-Enrollment Charter School), Chapter 12, Education Code, that is qualified as provided by Section 11.21(d) (relating to criteria an organization is required to meet for qualification as a school) of this code if:

- (1) the real property is used exclusively by the school for educational functions;
- (2) the real property is reasonably necessary for the operation of the school;
- (3) the owner certifies by affidavit to the school that the rent for the lease of the real property will be reduced by an amount equal to the amount by which the taxes on the property are reduced as a result of the exemption;
- (4) the owner provides the school with a disclosure document stating the amount by which the taxes on the real property are reduced as a result of the exemption and the method the owner will implement to ensure that the rent charged for the lease of the property fully reflects that reduction; and
- (5) the rent charged for the lease of the real property reflects the reduction in the amount of taxes on the property resulting from the exemption through a monthly or annual credit against the rent.

(b) Provides that Section 25.07 (Leasehold and Other Possessory Interests in Exempt Property) does not apply to a leasehold interest in property for which the owner receives an exemption under this section.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: January 1, 2020, contingent on passage of the proposed constitutional amendment authorizing the legislature to exempt from ad valorem taxation real property leased to certain schools organized and operated primarily for the purpose of engaging in educational functions. Provides that if that amendment is not approved by the voters, this Act has no effect.