By:  Bettencourt S.B. No. 1771

(In the Senate - Filed March 6, 2019; March 14, 2019, read first time and referred to Committee on Property Tax; May 6, 2019, reported adversely, with favorable Committee Substitute by the following vote: Yeas 3, Nays 2; May 6, 2019, sent to printer.)

COMMITTEE VOTE

               Yea Nay Absent  PNV

Bettencourt     X

Paxton          X

Creighton       X

Hancock             X

Hinojosa            X

COMMITTEE SUBSTITUTE FOR S.B. No. 1771 By:  Bettencourt

A BILL TO BE ENTITLED

AN ACT

relating to the ad valorem taxation of a leasehold or other possessory interest in certain property owned by a municipality.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1.  Section 25.07, Tax Code, is amended by amending Subsection (b) and adding Subsection (d) to read as follows:

(b)  Except as provided by Sections 11.11(b) and (c) and by Subsection (d) of this section, a leasehold or other possessory interest in exempt property may not be listed if:

(1)  the property is permanent university fund land;

(2)  the property is county public school fund agricultural land;

(3)  the property is a part of a public transportation facility owned by a municipality or county and:

(A)  is an airport passenger terminal building or a building used primarily for maintenance of aircraft or other aircraft services, for aircraft equipment storage, or for air cargo;

(B)  is an airport fueling system facility;

(C)  is in a foreign-trade zone:

(i)  that has been granted to a joint airport board under Subchapter C, Chapter 681, Business & Commerce Code;

(ii)  the area of which in the portion of the zone located in the airport operated by the joint airport board does not exceed 2,500 acres; and

(iii)  that is established and operating pursuant to federal law; or

(D)(i)  is in a foreign trade zone established pursuant to federal law after June 1, 1991, that operates pursuant to federal law;

(ii)  is contiguous to or has access via a taxiway to an airport located in two counties, one of which has a population of 500,000 or more according to the federal decennial census most recently preceding the establishment of the foreign trade zone; and

(iii)  is owned, directly or through a corporation organized under the Development Corporation Act (Subtitle C1, Title 12, Local Government Code), by the same municipality that owns the airport;

(4)  the interest is in a part of:

(A)  a park, market, fairground, or similar public facility that is owned by a municipality; or

(B)  a convention center, visitor center, sports facility with permanent seating, concert hall, arena, or stadium that is owned by a municipality as such leasehold or possessory interest serves a governmental, municipal, or public purpose or function when the facility is open to the public, regardless of whether a fee is charged for admission;

(5)  the interest involves only the right to use the property for grazing or other agricultural purposes;

(6)  the property is:

(A)  owned by a municipality, a public port, or a navigation district created or operating under Section 59, Article XVI, Texas Constitution, or under a statute enacted under Section 59, Article XVI, Texas Constitution; and

(B)  used as an aid or facility incidental to or useful in the operation or development of a port or waterway or in aid of navigation-related commerce; or

(7)  the property is part of a rail facility owned by a rural rail transportation district operating under Chapter 172, Transportation Code.

(d)  Subsection (b)(4)(B) does not prohibit the listing of a leasehold or other possessory interest in real property for purposes of taxation of the possessory interest by a taxing unit other than the municipality that owns the property unless:

(1)  the governing body of the taxing unit approves the exemption of the possessory interest in the manner provided by law for official action by the governing body; or

(2)  the financing by the municipality of the construction of the facility on the property was authorized by the voters of the municipality at an election held by the municipality.

SECTION 2.  This Act applies only to the taxation of property for a tax year beginning on or after the effective date of this Act.

SECTION 3.  The change in law made by this Act applies only to the taxation of a leasehold or other possessory interest in real property that is granted on or after the effective date of this Act. The taxation of a leasehold or other possessory interest in real property that is granted before the effective date of this Act, including a leasehold or other possessory interest that is granted before that date and is renewed on or after that date, is governed by the law as it existed immediately before the effective date of this Act, and that law is continued in effect for that purpose.

SECTION 4.  This Act takes effect September 1, 2019.

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