

1-1 By: Creighton S.B. No. 2345  
 1-2 (In the Senate - Filed March 8, 2019; March 21, 2019, read  
 1-3 first time and referred to Committee on Property Tax;  
 1-4 April 30, 2019, reported adversely, with favorable Committee  
 1-5 Substitute by the following vote: Yeas 5, Nays 0; April 30, 2019,  
 1-6 sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8 Bettencourt	X			
1-9 Paxton	X			
1-10 Creighton	X			
1-11 Hancock	X			
1-12 Hinojosa	X			

1-14 COMMITTEE SUBSTITUTE FOR S.B. No. 2345 By: Creighton

1-15 A BILL TO BE ENTITLED  
 1-16 AN ACT

1-17 relating to the exemption from ad valorem taxation of real property  
 1-18 leased to and used by certain schools.

1-19 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-20 SECTION 1. Subchapter B, Chapter 11, Tax Code, is amended by  
 1-21 adding Section 11.211 to read as follows:

1-22 Sec. 11.211. REAL PROPERTY LEASED TO CERTAIN SCHOOLS.

1-23 (a) A person is entitled to an exemption from taxation of the  
 1-24 portion of the real property that the person owns and leases to an  
 1-25 open-enrollment charter school authorized by Subchapter D, Chapter  
 1-26 12, Education Code, that is qualified as provided by Section  
 1-27 11.21(d) of this code if:

1-28 (1) the portion of the real property that is leased to  
 1-29 the school is:

1-30 (A) used exclusively by the school for the  
 1-31 operation or administration of the school or the performance of  
 1-32 other educational functions by the school; and

1-33 (B) reasonably necessary for a purpose described  
 1-34 by Paragraph (A); and

1-35 (2) the owner of the portion of the real property that  
 1-36 is leased to the school certifies by affidavit to the school that:

1-37 (A) if the lease agreement requires the school to  
 1-38 pay the taxes imposed on the real property as a portion of the total  
 1-39 consideration paid to the property owner under the agreement, the  
 1-40 owner will reduce the total consideration required to be paid by the  
 1-41 school under the lease agreement by an amount equal to the amount by  
 1-42 which the taxes on the real property are reduced as a result of the  
 1-43 exemption by providing a monthly or annual credit against the total  
 1-44 consideration due under the agreement; or

1-45 (B) if the lease agreement requires the school to  
 1-46 pay the taxes imposed on the real property directly to the collector  
 1-47 for the applicable taxing unit or to the owner or the property  
 1-48 manager separately from the payment of rent to the property owner  
 1-49 under the agreement, the school is no longer required to pay the  
 1-50 taxes to the collector, owner, or property manager, as applicable,  
 1-51 and the rent charged to the school under the agreement is not  
 1-52 affected unless a term of the agreement specifically provides for a  
 1-53 change in the amount of the rent.

1-54 (b) A property owner required to provide an affidavit  
 1-55 described by Subsection (a)(2)(A) to an open-enrollment charter  
 1-56 school shall:

1-57 (1) provide the school with a disclosure document  
 1-58 stating the amount by which the taxes on the real property are  
 1-59 reduced as a result of the exemption and the method the owner will  
 1-60 implement to ensure that the total consideration for the lease of

2-1 the real property fully reflects the total amount of that  
2-2 reduction; and

2-3 (2) reduce the total consideration for the lease of  
2-4 the real property through a monthly or annual credit against the  
2-5 total consideration to reflect the amount by which the taxes on the  
2-6 real property are reduced as a result of the exemption.

2-7 (c) This section may not be construed as invalidating an  
2-8 exemption from taxation of real property granted to an  
2-9 open-enrollment charter school on the basis of Section 12.128,  
2-10 Education Code, before January 1, 2020.

2-11 (d) Section 25.07 does not apply to a leasehold interest in  
2-12 real property for which the owner receives an exemption under this  
2-13 section.

2-14 SECTION 2. This Act applies only to ad valorem taxes imposed  
2-15 for a tax year beginning on or after the effective date of this Act.

2-16 SECTION 3. This Act takes effect January 1, 2020, but only  
2-17 if the constitutional amendment proposed by the 86th Legislature,  
2-18 Regular Session, 2019, authorizing the legislature to exempt from  
2-19 ad valorem taxation real property leased to certain schools  
2-20 organized and operated primarily for the purpose of engaging in  
2-21 educational functions is approved by the voters. If that amendment  
2-22 is not approved by the voters, this Act has no effect.

2-23 \* \* \* \* \*