

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

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**April 30, 2019**

**TO:** Honorable Dustin Burrows, Chair, House Committee on Ways & Means

**FROM:** John McGeady, Assistant Director    Sarah Keyton, Assistant Director  
Legislative Budget Board

**IN RE: HB1201** by Raymond (relating to an exemption from ad valorem taxation of real property owned by a charitable organization for the purpose of renting the property at below-market rates to low-income and moderate-income households.), **Committee Report 1st House, Substituted**

**Passage of the bill would exempt certain property owned by charitable organizations from ad valorem taxation of real property. As a result, taxable property values 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 exempt from taxation charitable organizations providing services as a HUD-approved housing counseling agency without regard to the beneficiaries' ability to pay. It also would add rental housing to low-income and moderate-income households at below-market-rates to the list of qualified activities for property owned by charitable organizations to be exempt. This exemption would only apply to property that is used to provide rental housing to low-income and moderate-income households at below-market rates.

The bill would create a cost to local taxing units and the state through the school funding formulas by exempting certain property owned by charitable organizations. The value of property owned by eligible charitable organizations that would be exempt under the bill and that is not already exempt is unknown. Consequently, the cost of the bill cannot be estimated.

The bill would take effect January 1, 2020.

**Local Government Impact**

Passage of the bill would exempt certain property owned by charitable organizations from ad valorem taxation of real property. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be reduced.

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

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