

By: Middleton

H.B. No. 1881

A BILL TO BE ENTITLED

AN ACT

relating to the exemption from ad valorem taxation of certain real property leased to and used by certain educational organizations.

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

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

Sec. 11.211. REAL PROPERTY LEASED TO CERTAIN EDUCATIONAL ORGANIZATIONS. (a) In this section, "qualifying educational organization" means:

(1) an open-enrollment charter school authorized by Subchapter D, Chapter 12, Education Code, that is qualified as provided by Section 11.21(d) of this code; or

(2) a public junior college, as defined by Section 61.003, Education Code.

(b) A person is entitled to an exemption from taxation of the portion of the real property that the person owns and leases to a qualifying educational organization if:

(1) the portion of the real property that is leased to the organization is:

(A) used exclusively by the organization for the operation or administration of the organization or the performance of other educational functions by the organization; and

(B) reasonably necessary for a purpose described by Paragraph (A); and

1 (2) the owner of the portion of the real property that
2 is leased to the organization certifies by affidavit to the
3 organization that:

4 (A) if the lease agreement requires the
5 organization to pay the taxes imposed on the real property as a
6 portion of the total consideration paid to the property owner under
7 the agreement, the owner will reduce the total consideration
8 required to be paid by the organization under the lease agreement by
9 an amount equal to the amount by which the taxes on the real
10 property are reduced as a result of the exemption by providing a
11 monthly or annual credit against the total consideration due under
12 the agreement; or

13 (B) if the lease agreement requires the
14 organization to pay the taxes imposed on the real property directly
15 to the collector for the applicable taxing unit or to the owner or
16 the property manager separately from the payment of rent to the
17 property owner under the agreement, the organization is no longer
18 required to pay the taxes to the collector, owner, or property
19 manager, as applicable, and the rent charged to the organization
20 under the agreement is not affected unless a term of the agreement
21 specifically provides for a change in the amount of the rent.

22 (c) A property owner required to provide an affidavit
23 described by Subsection (b)(2)(A) to a qualifying educational
24 organization shall:

25 (1) provide the organization with a disclosure
26 document stating the amount by which the taxes on the real property
27 are reduced as a result of the exemption and the method the owner

1 will implement to ensure that the total consideration for the lease
2 of the real property fully reflects the total amount of that
3 reduction; and

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

8 (d) This section may not be construed as invalidating an
9 exemption from taxation of real property granted to a qualifying
10 educational organization described by Subsection (a)(1) of this
11 section on the basis of Section 12.128, Education Code, before
12 January 1, 2022.

13 (e) Section 25.07 does not apply to a leasehold interest in
14 real property for which the owner receives an exemption under this
15 section.

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

18 SECTION 3. This Act takes effect January 1, 2022, but only
19 if the constitutional amendment proposed by the 87th Legislature,
20 Regular Session, 2021, authorizing the legislature to exempt from
21 ad valorem taxation certain real property leased to a public junior
22 college or an open-enrollment charter school is approved by the
23 voters. If that amendment is not approved by the voters, this Act
24 has no effect.