

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION**

**May 6, 2021**

**TO:** Honorable Jane Nelson, Chair, Senate Committee on Finance

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB115** by Rodriguez (Relating to the exemption from ad valorem taxation of certain property owned by a charitable organization and used in providing housing and related services to certain homeless individuals.), **As Engrossed**

**Passage of the bill would remove the requirement that qualified property owned by a charitable property that's been in existence at least 12 years be located on or consist of a single campus, which could result in more properties being eligible for the exemption. Expansion of the exemption to include charitable organizations that have been in existence at least two-years would be limited to property located on or consisting of a single campus in Midland. 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 taxable property and exemptions. The bill would remove the requirement that property be located on or consist of a single campus, for a charitable organization that has been in existence for at least 12 years and in a municipality with population greater than 750,000 and less than 850,000 or in the extraterritorial jurisdiction thereof, to qualify for a property tax exemption by a charitable organization providing housing and related services to homeless individuals.

The bill would add property owned by a charitable organization that has been in existence for 2 years and is located on or consists of a single campus in a city with a population of more than 100,000 and less than 150,000 part of which is located in a county with less than 5,000 qualifies for the property tax exemption.

The property tax exemption limited by Section 11.18(p) is available for property located in a municipality with population greater than 750,000 and less than 850,000 or in the extraterritorial jurisdiction thereof (based on the 2010 decennial census, City of Austin). Removing the requirement that property be located on or consist of a single campus would create a cost to local taxing units and the state through the school funding formulas by exempting certain property that may currently be taxed.

The addition to charitable organizations that can qualify for the property tax exemption would result in more properties being eligible for the exemption. 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. Property qualifying under the new two-year requirement for charitable organizations would be limited to property located on or consisting of a single campus in Midland. 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.

This bill would take effect January 1, 2022.

**Local Government Impact**

The fiscal implications of the bill cannot be determined at this time. Passage of the bill would remove the requirement that qualified property owned by a charitable property that's been in existence at least 12 years be located on or consist of a single campus, which could result in more properties being eligible for the

exemption. Expansion of the exemption to include charitable organizations that have been in existence at least two-years would be limited to property located on or consisting of a single campus in Midland. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be reduced. The value of property owned by eligible charitable organizations that would be exempt under the bill and that is not already exempt is unknown.

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

**LBB Staff:** JMc, KK, SD, BRI