

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 23, 2021

TO: Honorable Dade Phelan, Speaker of the House, House of Representatives

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 Passed 2nd House**

Passage of the bill would expand the exemption that currently applies to property in the City of Austin to include property located in Travis County and would remove the requirement that the property 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.

This bill would amend Chapter 11 of the Tax Code, regarding taxable property and exemptions, to provide that the property tax exemption for a charitable organization providing housing and related services to homeless individuals applies only to charitable organizations meeting specified requirements. The bill would increase the required number of years a charitable organization located in a county with a population of more than 1 million and less than 1.5 million must be in existence in order to qualify for the exemption. The bill would add a charitable organization that has been in existence for 2 years and is located 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 to qualify for the property tax exemption.

The bill would require the property be located on a tract of land that is at least 15 acres in size and either owned by the organization on July 1, 2021 or acquired by donation and owned by the organization on January 1, 2023. The bill would specify the property must be used by the charitable organization to provide permanent housing to homeless individuals and removes the requirement the property must be located on a single campus.

The property tax exemption limited by Section 11.18(p) is available for property located in a municipality with a 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). Expanding the exemption to property located in Travis County and removing the requirement the property must 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 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.

The 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 expand the exemption that currently applies to property in the City of Austin to include property located in Travis County and would remove the requirement that the property be located on or consist of a single campus. 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, LBO, SD, KK, BRI