

BILL ANALYSIS

Senate Research Center
88R3245 LHC-D

H.B. 456
By: Craddick et al. (King)
Local Government
5/11/2023
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

H.B. 456 would entitle charity organizations to a tax exemption on royalty interests, defined by Section 201.001 in the Tax Code. Currently, this tax-exempt status applies only to real property such as buildings, tangible personal property, land, and buildings under construction that are intended to be used exclusively for the purpose of the charitable organization.

This bill amends Section 11.18(a), Tax Code, to entitle charitable organizations to an exemption from taxation of royalty interests. Mineral rights are already defined as real property under Texas law, which is the same classification as buildings and land that currently have the tax exemption status. This bill simply applies the same status to royalty interests that currently applies to other real property such as buildings and land.

This change in the law will allow charity organizations to further invest in their communities by upgrading facilities and expanding services they offer by using money that previously would have been used to pay a tax on royalty interests they owned.

H.B. 456 amends current law relating to an exemption from ad valorem taxation of certain royalty interests owned by a charitable organization.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 11.18(a), Tax Code, to provide that an organization that qualifies as a charitable organization as provided by Section 11.18 (Charitable Organizations) is entitled to an exemption from certain taxation, including taxation of a royalty interest, as defined by Section 201.001 (Definitions), owned by the organization. Makes nonsubstantive changes.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: January 1, 2024.