

BILL ANALYSIS

Senate Research Center

C.S.H.B. 456
By: Craddick et al. (King)
Local Government
5/17/2023
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

H.B. 456 entitles charity organizations to a tax exemption on royalty interests, defined by Section 201.001, 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 current statute, 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.

(Original Author's/Sponsor's Statement of Intent)

C.S.H.B. 456 amends current law relating to an exemption from ad valorem taxation of certain interests in a mineral in place owned by certain charitable organizations.

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 the real property owned by the charitable organization consisting of an interest in a mineral in place, if the charitable organization is described by certain subsections, including a royalty interest, provided that the interest is not severed from the surface estate or was donated to the charitable organization by the previous owner of the interest.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: January 1, 2024.