

BILL ANALYSIS

C.S.H.B. 3691
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Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

To qualify for a property tax exemption as a charitable organization, the organization must be engaged primarily in performing one or more of the charitable functions listed in the Tax Code. Charitable senior housing providers and retirement communities are primarily faith-based, mission-driven organizations committed to serving older Texans in need. In addition to permanent housing, these organizations offer various social, healthcare, and educational services that improve the lives of residents, families, and caregivers. Unfortunately, some organizations have had their property tax exemptions challenged or revoked despite the substantial benefits these organizations provide. The lack of clarity places qualified charitable organizations serving seniors at greater risk of losing their property tax exemptions, which threatens their ability to provide vital services to a vulnerable population. C.S.H.B. 3691 seeks to provide needed certainty to charitable senior housing organizations that their exemptions will not be arbitrarily revoked by appraisal districts by providing for an exemption for certain organizations engaged in charitable functions involving the provision of charitable housing and services in an amount that is not less than four percent of the organization's net resident revenue.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 3691 amends the Tax Code to revise provisions establishing the charitable functions that qualify an otherwise eligible charitable organization for a property tax exemption for certain property owned or used by the charitable organization. The bill does the following:

- includes among such functions providing permanent housing and related social, health care, and educational facilities for persons who are 62 years of age or older as an organization that provides charitable housing and services in an amount that is not less than four percent of the charitable organization's net resident revenue; and
- replaces the function of providing housing and related services to persons who are 62 years of age or older in a retirement community that provides independent living services, assisted living services, and nursing services to its residents on a single campus in which at least four percent of the retirement community's combined net resident revenue is provided in charitable care to its residents with the function of providing housing and related services to persons who are 62 years of age or older in a retirement community that provides such services to its residents on a single campus as an

organization that provides charitable housing and services in an amount that is not less than four percent of the charitable organization's net resident revenue.

C.S.H.B. 3691 defines "charitable housing and services" as the following provided by a charitable organization to a person 62 years of age or older in financial need:

- housing, including as an independent living facility, assisted living facility, or nursing facility; and
- any service designed to meet the unique needs of a person 62 years of age or older, including ministerial services, government-sponsored indigent health care, social services, health services, educational services, and donations to an organization that qualifies for an exemption for providing for persons 62 years of age or older permanent housing and related social, health care, and educational facilities or housing and related services in a retirement community, as applicable.

The bill's provisions apply only to a property tax year that begins on or after the bill's effective date.

EFFECTIVE DATE

January 1, 2024.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 3691 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

While both the introduced and the substitute provide for an exemption from property taxation of certain property owned by a charitable organization that is engaged in providing charitable housing and services to persons 62 years of age or older, the versions differ in their approaches. The substitute does not include the requirement that an organization meet one of the following criteria to qualify for the exemption, as provided in the introduced:

- provide charitable housing and services in an unreimbursed amount that is not less than four percent of the charitable organization's net resident revenue among meeting certain other criteria;
- be located in a county with a population of less than 58,000 in which the entire county or the population of the entire county has been designated a health professionals shortage area; or
- operate a housing development restricted to very low-income persons who are 62 years of age or older.

The substitute does not include provisions contained in the introduced, with respect to the eligibility of an organization providing charitable housing and services in an unreimbursed amount that is not less than four percent of the charitable organization's net resident revenue, regarding demonstrations the organization must make, a limitation on the number of years for which the organization may be eligible for the exemption, a minimum amount of charitable housing the organization must provide in a current tax year as a condition of eligibility for the exemption in the following tax year, and liability for failure to satisfy that minimum requirement for the current tax year.

Instead, the substitute revises provisions that it shares with the introduced establishing the charitable functions that qualify an otherwise eligible charitable organization for a property tax exemption for certain property owned or used by the charitable organization in the following manner:

- includes a provision not in the introduced including among such functions providing permanent housing and related social, health care, and educational facilities for persons

who are 62 years of age or older as an organization that provides charitable housing and services in an amount that is not less than four percent of the charitable organization's net resident revenue; and

- includes a provision not in the introduced that replaces the function of providing housing and related services to persons who are 62 years of age or older in a retirement community that provides independent living services, assisted living services, and nursing services to its residents on a single campus in which at least four percent of the retirement community's combined net resident revenue is provided in charitable care to its residents with the function of providing housing and related services to persons who are 62 years of age or older in a retirement community that provides such services to its residents on a single campus as an organization that provides charitable housing and services in an amount that is not less than four percent of the charitable organization's net resident revenue.

While both the introduced and the substitute define "charitable housing and services," the substitute revises that provision in the following manner:

- omits from the definition in the introduced independent living services, assisted living services, nursing facility services, and the specification of subsidized health services as a health service;
- replaces services provided through a government-sponsored program, including through Medicaid or another federal, state, or local indigent health care program based on financial need, as in the introduced, with government-sponsored indigent health care;
- includes ministerial services, which was not in the introduced; and
- specifies that the donations included in the definition are donations to an organization that qualifies for an exemption for providing to persons 62 years of age or older permanent housing and related social, health care, and educational facilities or housing and related services in a retirement community.

The substitute does not include the provisions from the introduced that defined "net resident revenue" and "very low-income" for purposes of the bill's provisions.