

BILL ANALYSIS

Senate Research Center
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S.B. 2361
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Local Government
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, Section 11.184(k) of the Tax Code sets a five-year expiration date for property tax exemptions for organizations performing charitable functions. After the expiration date, charitable organizations are required to obtain a new determination letter and reapply for the exemption.

This requirement places undue stress and administrative burden on charities that diverts efforts in their communities and instead requires time to ensure that a charity is in compliance with the law. In some instances a charity will lose exempt status by not receiving a determination by the five-year deadline.

S.B. 2361 proposes eliminating the five-year expiration date by requiring charitable organizations to notify the Comptroller of Public Accounts of the State of Texas and the chief appraiser of any changes that affect their qualification for property tax exemptions like a sale of the property or other provisions stated under current law.

In addition, S.B. 2361 provides automatic reinstatements of expired exemptions for organizations that comply with the requirements listed in the bill. Finally, S.B. 2361 will refund any charitable organization that paid property taxes due to a past failure to fulfill all the requirements after the expiration date.

As proposed, S.B. 2361 amends current law relating to the exemption from ad valorem taxation of property owned by an organization engaged primarily in performing charitable functions.

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 11.184, Tax Code, by amending Subsection (k) and adding Subsections (k-1), (k-2), (k-3), and (k-4), as follows:

(k) Provides that an exemption under Section 11.184 (Organizations Engaged Primarily in Performing Charitable Functions) expires when:

(1) the organization no longer owns the property described by Subsection (c) (relating to providing that a qualified charitable organization is entitled to an exemption from taxation of certain properties); or

(2) the Comptroller of Public Accounts of the State of Texas (comptroller) determines based on the factors provided by Subsection (e) (relating to requiring an organization to apply to the comptroller for a determination of whether the organization is engaged primarily in performing certain functions and is eligible for an exemption under this section before an organization is authorized to submit an application for an exemption) that the organization no longer qualifies for an exemption.

Deletes existing text providing that an exemption under this section expires at the end of the fifth tax year after the year in which the exemption is granted. Deletes existing text requiring the organization to obtain a new determination letter and reapply for the exemption to continue to receive an exemption under this section after that year.

(k-1) Requires an organization receiving an exemption under this section to notify the comptroller and the chief appraiser of the appraisal district established for the county in which the exempt property is located of each of the following material changes not later than the 30th day after the date the material change occurs:

- (1) the organization sells or otherwise disposes of the property that is subject to the exemption;
- (2) the Internal Revenue Service determines that the organization is no longer an exempt entity under Section 501(c)(3), Internal Revenue Code of 1986; or
- (3) the organization no longer qualifies for an exemption under Section 151.310 (Religious, Educational, and Public Service Organizations).

(k-2) Provides that an organization that received an exemption granted under this section that expired before September 1, 2023, notwithstanding Subsection (k), is entitled to an automatic reinstatement of the expired exemption under this section for each tax year following the tax year in which the exemption expired if the organization:

- (1) still owns the property that was exempt from taxation under this section;
- (2) has a valid determination letter issued by the comptroller under Subsection (f) (relating to authorizing the comptroller to request that the organization provide additional information the comptroller determines necessary not later than the 30th day after the date the organization submits an application); and
- (3) submits a written request to the chief appraiser of the appraisal district established for the county in which the exempt property is located that includes:
 - (A) proof that the organization was previously granted an exemption under this section for the property that is the subject of the request; and
 - (B) a copy of the determination letter issued by the comptroller under Subsection (f).

(k-3) Provides that the exemption, if an organization is entitled to continue to receive an exemption under Subsection (k-2), remains in effect until it expires as provided by Subsection (k).

(k-4) Provides that an organization that is entitled to continue to receive an exemption under Subsection (k-2) does not owe any tax on the exempt property for the period starting on the date the exemption expired under Subsection (k) and ending on the date the organization is entitled to continue to receive the exemption under Subsection (k-2). Requires the collector to refund to the organization the amount of tax imposed on the property if the organization paid taxes on the property during that period. Requires the collector to pay the refund not later than the 30th day after the date the chief appraiser notifies the collector of the approval of the continued exemption under Subsection (k-2).

SECTION 2. Amends Section 11.43(c), Tax Code, as follows:

(c) Provides that an exemption provided by certain sections, including Section 11.184, once allowed, need not be claimed in subsequent years, and except as otherwise provided by Subsection (e) (relating to prohibiting a person from receiving the exemption if a person required to apply for an exemption fails to file a timely completed application

form), the exemption applies to the property until it changes ownership or the person's qualification for the exemption changes.

SECTION 3. Effective date: January 1, 2024.