

AN ACT

relating to a local option exemption from ad valorem taxation by a county or municipality of all or part of the appraised value of real property used to operate a child-care facility.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter B, Chapter 11, Tax Code, is amended by adding Section 11.36 to read as follows:

Sec. 11.36. CHILD-CARE FACILITIES. (a) In this section:

(1) "Child-care facility" means a facility licensed by the Health and Human Services Commission to provide assessment, care, training, education, custody, treatment, or supervision for a child who is not related by blood, marriage, or adoption to the owner or operator of the facility, for all or part of the 24-hour day, whether or not the facility is operated for profit or charges for the services it offers.

(2) "Qualifying child-care facility" means a child-care facility:

(A) the owner or operator of which participates in the Texas Workforce Commission's Texas Rising Star Program as described by Section 2308.3155, Government Code, for that facility; and

(B) at which at least 20 percent of the total number of children enrolled at the facility receive subsidized child-care services provided through the child-care services

1 program administered by the Texas Workforce Commission.

2 (b) Subject to Subsection (d), if the governing body of a  
3 county or municipality in the manner required by law for official  
4 action by the governing body adopts the exemption, a person is  
5 entitled to an exemption from taxation by the county or  
6 municipality of all or part of the appraised value of:

7 (1) the real property the person owns and operates as a  
8 qualifying child-care facility; or

9 (2) the portion of the real property that the person  
10 owns and leases to a person who uses the property to operate a  
11 qualifying child-care facility.

12 (c) The governing body of a county or municipality may adopt  
13 the exemption authorized by this section as a percentage of the  
14 appraised value of the property. The percentage specified by the  
15 governing body may not be less than 50 percent.

16 (d) To qualify for the exemption authorized by this section,  
17 the property must be:

18 (1) except as provided by Subsection (e), used  
19 exclusively to provide developmental and educational services for  
20 children attending the child-care facility; and

21 (2) reasonably necessary for the operation of the  
22 child-care facility.

23 (e) The use of exempt property for functions other than  
24 providing developmental and educational services for children  
25 attending the child-care facility located on the property does not  
26 result in the loss of an exemption authorized by this section if  
27 those other functions are incidental to the use of the property for

1 providing those services to those children and benefit:

2 (1) those children; or

3 (2) the staff and faculty of the facility.

4 (f) A person who claims an exemption under Subsection (b)(2)  
5 must include with the application for the exemption an affidavit  
6 certifying to the chief appraiser for the appraisal district that  
7 appraises the property that is the subject of the application that:

8 (1) the person has provided to the child-care facility  
9 to which the property is leased a disclosure document stating the  
10 amount by which the taxes on the property are reduced as a result of  
11 the exemption and the method the person will implement to ensure  
12 that the rent charged for the lease of the property fully reflects  
13 that reduction;

14 (2) the rent charged for the lease of the property  
15 reflects the reduction in the amount of taxes on the property  
16 resulting from the exemption through a monthly or annual credit  
17 against the rent; and

18 (3) the person does not charge rent for the lease of  
19 the property in an amount that exceeds:

20 (A) for property that consists of space in a  
21 commercial property, the rent charged by the person to other  
22 tenants of the commercial property for similar space; or

23 (B) for property other than property described by  
24 Paragraph (A), the average rent charged for comparable rental  
25 property.

26 (g) Notwithstanding any other provision of this section, a  
27 person may not claim an exemption under Subsection (b)(2) for

1 property:

2 (1) for which the person claims an exemption under  
3 Section 11.13; or

4 (2) any part of which is leased by the person to  
5 another person for use as a principal residence.

6 (h) Property is not ineligible for an exemption under this  
7 section if a portion of the property is used for functions other  
8 than those described by Subsections (d) and (e). However, the  
9 exemption does not apply to the value of the portion of the property  
10 that is used for those other functions.

11 (i) Section 25.07 does not apply to a leasehold interest in  
12 property for which the owner receives an exemption under this  
13 section.

14 (j) The comptroller may adopt rules and forms necessary for  
15 the administration of this section.

16 SECTION 2. Section 11.43(c), Tax Code, is amended to read as  
17 follows:

18 (c) An exemption provided by Section 11.13, 11.131, 11.132,  
19 11.133, 11.134, 11.17, 11.18, 11.182, 11.1827, 11.183, 11.19,  
20 11.20, 11.21, 11.22, 11.23(a), (h), (j), (j-1), or (m), 11.231,  
21 11.254, 11.27, 11.271, 11.29, 11.30, 11.31, 11.315, ~~or~~ 11.35, or  
22 11.36, once allowed, need not be claimed in subsequent years, and  
23 except as otherwise provided by Subsection (e), the exemption  
24 applies to the property until it changes ownership or the person's  
25 qualification for the exemption changes. However, except as  
26 provided by Subsection (r), the chief appraiser may require a  
27 person allowed one of the exemptions in a prior year to file a new

1 application to confirm the person's current qualification for the  
2 exemption by delivering a written notice that a new application is  
3 required, accompanied by an appropriate application form, to the  
4 person previously allowed the exemption. If the person previously  
5 allowed the exemption is 65 years of age or older, the chief  
6 appraiser may not cancel the exemption due to the person's failure  
7 to file the new application unless the chief appraiser complies  
8 with the requirements of Subsection (q), if applicable.

9 SECTION 3. This Act applies only to ad valorem taxes imposed  
10 for a tax year beginning on or after the effective date of this Act.

11 SECTION 4. This Act takes effect January 1, 2024, but only  
12 if the constitutional amendment proposed by the 88th Legislature,  
13 Regular Session, 2023, authorizing a local option exemption from ad  
14 valorem taxation by a county or municipality of all or part of the  
15 appraised value of real property used to operate a child-care  
16 facility is approved by the voters. If that amendment is not  
17 approved by the voters, this Act has no effect.

S.B. No. 1145

\_\_\_\_\_  
President of the Senate

\_\_\_\_\_  
Speaker of the House

I hereby certify that S.B. No. 1145 passed the Senate on May 1, 2023, by the following vote: Yeas 25, Nays 6.

\_\_\_\_\_  
Secretary of the Senate

I hereby certify that S.B. No. 1145 passed the House on May 16, 2023, by the following vote: Yeas 109, Nays 33, one present not voting.

\_\_\_\_\_  
Chief Clerk of the House

Approved:

\_\_\_\_\_  
Date

\_\_\_\_\_  
Governor