

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION**

**May 22, 2023**

**TO:** Honorable Dade Phelan, Speaker of the House, House of Representatives

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB456** by Craddick (Relating to an exemption from ad valorem taxation of certain interests in a mineral in place owned by certain charitable organizations.), **As Passed 2nd House**

**Passage of the bill would exempt the value of interests in a mineral in place, including royalty interests owned by charitable organizations from ad valorem taxation of real property. As a result, taxable property values could be reduced and the related costs to the Foundation School Fund could be increased through the operation of the school finance formulas.**

The bill would amend Chapter 11 of the Tax Code (Taxable Property and Exemptions) to add interest in a mineral in place, including a royalty interest, to the list of assets owned by a charitable organization that performs certain charitable functions that are exempt from property tax.

The bill would reduce taxable property value and create a cost to the state through the school finance formulas by exempting mineral interests in place owned by charitable organizations that perform certain charitable functions. There are 157,000 charitable organizations in Texas. The number of organizations that perform the qualifying charitable functions, and with a mineral interest in place, and the value of those properties that would be exempt under this bill is unknown. Consequently, the cost of the bill cannot be estimated.

The bill would take effect January 1, 2024.

**Local Government Impact**

Passage of the bill would exempt the value of interests in a mineral in place owned by charitable organizations from ad valorem taxation of real property. As a result, taxable property values for units of local government could be reduced. However, the no-new-revenue and voter-approval tax rates as provided by Section 26.04, Tax Code could be higher as a consequence of the exemption proposed by the bill.

**Source Agencies:** 304 Comptroller of Public Accounts, 701 Texas Education Agency

**LBB Staff:** JMc, SD, AF, BRI, KK