

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

March 26, 2023

TO: Honorable Morgan Meyer, Chair, House Committee on Ways & Means

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB581 by Raymond (Relating to an exemption from ad valorem taxation of real property owned by a charitable organization for the purpose of renting the property at below-market rates to low-income and moderate-income households.), **As Introduced**

Passage of the bill would exempt certain property 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, regarding property tax exemptions, to exempt from taxation charitable organizations providing services as a HUD-approved housing counseling agency without regard to the beneficiaries' ability to pay. It also would add rental housing to low-income and moderate-income households at below-market-rates to the list of qualified activities for property owned by charitable organizations to be exempt. This exemption would only apply to property that is used to provide rental housing to low-income and moderate-income households at below-market rates. The exemption from property tax would only apply to property owned by a charitable organization providing these services and located in Laredo.

The bill would create a cost to the state through the school funding formulas by exempting certain property owned by charitable organizations. The value of property owned by eligible charitable organizations that would be exempt under the bill and that is not already exempt is unknown. Consequently, the cost of the bill cannot be estimated.

Local Government Impact

Passage of the bill would exempt certain property 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 additional appraisal growth limitation proposed by the bill.

The exemption from property tax would only apply to property owned by a charitable organization providing these services and located in Laredo.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD, BRI