

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 22, 2023

TO: Honorable Paul Bettencourt, Chair, Senate Committee on Local Government

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB1145 by West (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.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would provide a county or municipality the local option to exempt all or part of the appraised value of real property used to operate child-care facilities from property taxation. The bill would provide definitions and requirements and applies to real property, including a portion thereof, a person owns to operate a qualified child-care facility, or owns and leases to a person for use exclusively as a child-care facility providing developmental and educational services for children.

The bill would require the governing body of a county or municipality to adopt the exemption as a percentage of the appraised value of the property and sets a minimum of at least 50 percent.

A person who claims the exemption as the owner of leased property to provide with the application an affidavit certifying that a lease disclosure document stating the amount by which the taxes on the property are reduced as a result of the exemption has been provided to the lessee and that the reduction in taxes is fully reflected in the rent charged through a monthly or annual credit against the rent. Furthermore, the rent charged for the lease cannot exceed that charged to other tenants of comparable commercial/rental property.

The bill would state that the exemption could not be claimed if the person claims an exemption under Section 11.13 or leases part of the property to another person for use as a principal residence. The bill would state that Section 25.07 (Leasehold and other Possessory Interests in Exempt Property) does not apply to a leasehold interest in property for which the owner receives an exemption under this section. The bill would allow the Comptroller to adopt rules and forms for the administration of this section.

The bill would take effect January 1, 2024, contingent on the approval by voters of a constitutional amendment authorizing the legislature to exempt from ad valorem taxation real property used to operate a child-care facility.

Local Government Impact

Contingent on the passage of a constitutional amendment, passage of the bill would authorize a county or municipality to exempt all or part of the appraised value of real property used to operate child-care facilities from property taxation. As a result, taxable property value for counties and municipalities could be decreased. 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

LBB Staff: JMc, AF, SD, BRI