

# SENATE AMENDMENTS

2<sup>nd</sup> Printing

By: Craddick, Geren, Cook, Burrows, Rose

H.B. No. 456

A BILL TO BE ENTITLED

1 AN ACT

2 relating to an exemption from ad valorem taxation of certain  
3 royalty interests owned by a charitable organization.

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

5 SECTION 1. Section 11.18(a), Tax Code, is amended to read as  
6 follows:

7 (a) An organization that qualifies as a charitable  
8 organization as provided by this section is entitled to an  
9 exemption from taxation of:

10 (1) the buildings and tangible personal property that:

11 (A) are owned by the charitable organization; and

12 (B) except as permitted by Subsection (b), are  
13 used exclusively by qualified charitable organizations; ~~and~~

14 (2) the real property owned by the charitable  
15 organization consisting of:

16 (A) an incomplete improvement that:

17 (i) is under active construction or other  
18 physical preparation; and

19 (ii) is designed and intended to be used  
20 exclusively by qualified charitable organizations; and

21 (B) the land on which the incomplete improvement  
22 is located that will be reasonably necessary for the use of the  
23 improvement by qualified charitable organizations; and

24 (3) a royalty interest, as defined by Section 201.001,

1 owned by the organization.

2 SECTION 2. This Act applies only to ad valorem taxes imposed  
3 for a tax year beginning on or after the effective date of this Act.

4 SECTION 3. This Act takes effect January 1, 2024.

ADOPTED

MAY 21 2023

Latey Law  
Secretary of the Senate

By: [Signature] .B. No. \_\_\_\_\_

Substitute the following for .B. No. \_\_\_\_\_:

By: Phil King C.S.H.B. No. 456

Flip  
↑  
↓

A BILL TO BE ENTITLED

AN ACT

relating to an exemption from ad valorem taxation of certain interests in a mineral in place owned by certain charitable organizations.

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

SECTION 1. Section 11.18(a), Tax Code, is amended to read as follows:

(a) An organization that qualifies as a charitable organization as provided by this section is entitled to an exemption from taxation of:

(1) the buildings and tangible personal property that:

(A) are owned by the charitable organization; and

(B) except as permitted by Subsection (b), are used

exclusively by qualified charitable organizations; ~~and~~

(2) the real property owned by the charitable

organization consisting of:

(A) an incomplete improvement that:

(i) is under active construction or other

physical preparation; and

(ii) is designed and intended to be used

exclusively by qualified charitable organizations; and

(B) the land on which the incomplete improvement is located that will be reasonably necessary for the use of the improvement by qualified charitable organizations; and

(3) if the charitable organization is described by Subsection (d) (1), (2), (3) (A) (ii), (5), (8), (13), (15), or (19), the real property owned by the charitable organization consisting of an interest in a mineral in place, including a royalty interest, provided that the interest:

(A) is not severed from the surface estate; or

(B) was donated to the charitable organization by the previous owner of the interest.

SECTION 2. This Act applies only to ad valorem taxes imposed for a tax year beginning on or after the effective date of this Act.

SECTION 3. This Act takes effect January 1, 2024.

**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

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

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

**May 17, 2023**

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

**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.), **Committee Report 2nd House, Substituted**

**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, AF, SD, BRI, KK

**LEGISLATIVE BUDGET BOARD**

Austin, Texas

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

May 11, 2023

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

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

**IN RE: HB456** by Craddick (Relating to an exemption from ad valorem taxation of certain royalty interests owned by a charitable organization.), **As Engrossed**

**Passage of the bill would exempt the value of 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 a royalty interest, as defined by Tax Code Section 201.001 (gas production tax) to the list of assets owned by a charitable organization that are exempt from property tax.

The bill would create a cost to local taxing units and the state through the school finance formulas by exempting royalty interests owned by charitable organizations. There are 157,000 charitable organizations in Texas. The number of organizations with a royalty interest 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 royalty interests owned by charitable organizations from ad valorem taxation of real property. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be reduced.

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

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

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

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

**March 5, 2023**

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

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

**IN RE: HB456** by Craddick (Relating to an exemption from ad valorem taxation of certain royalty interests owned by a charitable organization.), **As Introduced**

**Passage of the bill would exempt the value of 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 a royalty interest, as defined by Tax Code Section 201.001 (gas production tax) to the list of assets owned by a charitable organization that are exempt from property tax.

The bill would create a cost to local taxing units and the state through the school finance formulas by exempting royalty interests owned by charitable organizations. There are 157,000 charitable organizations in Texas. The number of organizations with a royalty interest 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 royalty interests owned by charitable organizations from ad valorem taxation of real property. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be reduced.

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

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



**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**TAX/FEE EQUITY NOTE**

**88TH LEGISLATIVE REGULAR SESSION**

**March 5, 2023**

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

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

**IN RE: HB456** by Craddick (Relating to an exemption from ad valorem taxation of certain royalty interests owned by a charitable organization.), **As Introduced**

No statistically significant impact on the overall distribution of a state tax or fee burden among individuals and businesses is anticipated from the provisions of this bill.

**Source**

**Agencies:**

**LBB Staff:** JMc, KK