

BILL ANALYSIS

C.S.H.B. 5478
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Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

To receive a property tax exemption, a charitable organization must obtain a determination letter from the comptroller of public accounts certifying that the organization is engaged primarily in performing charitable functions and is eligible for a property exemption. The bill author has informed the committee that there is currently a five-year expiration date for property tax exemptions obtained by organizations performing charitable functions and that after such date, charitable organizations are required to obtain a new determination letter from the comptroller and reapply for the exemption with the chief appraiser. C.S.H.B. 5478 seeks to reduce administrative burdens on charitable organizations by removing this requirement.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 5478 amends the Tax Code to change the expiration of a property tax exemption for property owned by a qualified charitable organization from the end of the fifth tax year after the year in which the exemption is granted to the following:

- when the organization no longer owns the property described under statutory provisions relating to the exemption; or
- when the comptroller of public accounts determines based on the factors provided by applicable state law that the organization no longer qualifies for the exemption.

C.S.H.B. 5478 requires a qualified charitable organization receiving the exemption to notify the comptroller and the chief appraiser of the appraisal district established for the county in which the exempt property is located of each of the following material changes not later than the 30th day after the date the material change occurs:

- the organization sells or otherwise disposes of the property that is subject to the exemption;
- the IRS determines that the organization is no longer a 501(c)(3) tax-exempt organization; or
- the organization no longer qualifies for the sales and use tax exemption for religious, educational, and public service organizations under state law.

C.S.H.B. 5478 entitles a qualified charitable organization that received a property tax exemption that expired before September 1, 2025, to an automatic reinstatement of the expired exemption

for each tax year following the tax year in which the exemption expired if the organization meets the following conditions:

- still owns the property that was exempt from taxation;
- has a valid determination letter issued by the comptroller; and
- submits a written request to the applicable chief appraiser that includes the following:
 - proof that the organization was previously granted the exemption for the property that is the subject of the request; and
 - a copy of the determination letter issued by the comptroller.

The bill establishes that, for an organization entitled to a continued exemption, the exemption remains in effect until it expires as provided by the bill's provisions.

C.S.H.B. 5478 establishes that an organization entitled to a continued exemption does not owe any tax on the exempt property for the period starting on the date the exemption expired under the bill's provisions and ending on the date the organization is entitled to continue to receive the exemption under the bill's provisions. The bill requires the collector, if the organization paid taxes on the property during that period, to refund to the organization the amount of tax imposed on the property not later than the 30th day after the date the chief appraiser notifies the collector of the approval of the continued exemption.

C.S.H.B. 5478 includes the exemption among the exemptions that, once allowed, need not be claimed in subsequent years and continue to apply to the property until an ownership change occurs or until the person's qualification for the exemption changes.

C.S.H.B. 5478 establishes that it is the intent of the 89th Legislature, Regular Session, 2025, that the bill be harmonized with another Act of the 89th Legislature, Regular Session, 2025, relating to nonsubstantive additions to and corrections in enacted codes.

EFFECTIVE DATE

January 1, 2026.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 5478 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute changes the date of a qualified charitable organization's property tax exemption expiration, which, if expired before such date, entitles the organization to an automatic reinstatement of the expired exemption under certain circumstances from September 1, 2023, as in the introduced, to September 1, 2025.

The substitute includes a provision absent from the introduced establishing that it is the intent of the 89th Legislature, Regular Session, 2025, that the bill be harmonized with another Act of the 89th Legislature, Regular Session, 2025, relating to nonsubstantive additions to and corrections in enacted codes.