

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

April 27, 2025

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB1237 by Paxton (relating to the exemption from ad valorem taxation of certain property owned by a charitable organization that is engaged in providing housing and related facilities and services to persons who are at least 62 years of age.), **Committee Report 1st House, Substituted**

Passage of the bill would expand eligibility for the exemption for certain charitable organizations to include organizations that provide charitable housing and services to persons who are at least 62 years of age, with some qualifications. 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 expand eligibility for the property tax exemption for certain charitable organizations to include organizations that provide certain charitable housing and related services to persons who are at least 62 years of age, in an amount not less than four percent of the charitable organization's net resident revenue. The bill would provide that an organization performing the charitable housing and related services would be entitled to an exemption from taxation only if it has been in existence for at least 20 years or is under common control with an organization that fulfills the existence and charitable function criteria. The bill would add a definition for "charitable housing and services" and expand the definition of "charity care."

To the extent the bill would result in an increase in the number of organizations eligible for exemption, there would be reduced taxable property value and a cost to the state through the operation of school funding formulas. However, the number of newly-qualifying organizations associated with the bill's provisions is unknown; consequently, the taxable property value loss cannot be determined.

Local Government Impact

Passage of the bill would expand eligibility for the exemption for certain charitable organizations to include organizations that provide charitable housing and services to persons who are at least 62 years of age, with some qualifications. As a result, taxable property values 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 reduced taxable value proposed by the bill. If cities, counties, and special districts did not adopt higher rates, local levies would be reduced. If those jurisdictions adopted higher tax rates, the initial revenue loss from the exemption would be offset by increased tax levies from owners of non-exempt property and slightly reduced tax savings from owners of exempt property.

Source Agencies: 304 Comptroller of Public Accounts

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