

SUBJECT: Exempting the Grand Lodge of Texas from ad valorem taxes

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 7 ayes — Craddick, Wolens, Finnell, Heflin, Holzheuser, Oliveira, Place
0 nays
4 absent — Horn, T. Hunter, Marchant, Romo

SENATE VOTE: On final passage, April 24 — voice vote

WITNESSES: (*On House companion bill, HB 1580 by Chisum*):
For — None
Against — George H. Moff

BACKGROUND: The Grand Lodge of the Republic was chartered in 1845 by the Ninth Congress of the Republic. In 1846, the first legislature chartered what is known today as the Grand Lodge of Texas. The masonic lodges which are part of the Grand Lodge are primarily charitable organizations.

DIGEST: SB 1654 would exempt an organization established under the Republic of Texas, and in continuous existence ever since, from ad valorem taxation if that organization performs primarily charitable, benevolent or public service activities and the property to be exempted is used primarily for charitable, benevolent or public service activities.

SB 1654 would take effect on January 1, 1996, but only if the constitutional amendment proposed by SJR 36 is approved by the voters.

SUPPORTERS SAY: The Grand Lodge has a long history in Texas as a valuable service organization. Many of the buildings owned by various lodges have been designated as historical buildings. Many of these lodges, though, are in danger of losing these buildings because of the property taxes that are imposed upon them. A tax exemption should be granted in order to preserve this organization as a part of Texas history.

The Grand Lodge of Texas was the first school system in Texas and it continues to provide educational programs today with programs to combat illiteracy and treat dyslexia. The Lodge also supports charitable hospitals and other support services. The taxes imposed on the Lodge are draining resources away from the charitable and service aspects of the lodges. By granting this organization an exemption from property taxation, it can continue to provide valuable charitable services to communities across Texas.

This legislation would not grant the Grand Lodge a tax exemption unless the voters of this state approved such an exemption.

**OPPONENTS
SAY:**

This bill would give an organization a break from paying taxes when it has not been immune from such taxation during its last 150 years of operation.

The Grand Lodge of Texas is an exclusive fraternal organization. In order to join the Lodge, a person must be sponsored by a member already in the Lodge. While this organization does not discriminate in providing charitable services, its membership practices may not be something which this state would like to subsidize. At least there should be a requirement similar to one the Tax Code makes of certain community service clubs that are granted a tax exemption: that they be open to membership without regard to race, religion or national origin.

The comptroller has estimated that exempting these masonic lodges would mean a yearly loss in revenue of \$508,300 to school districts, \$233,100 to cities, and \$197,400 to counties or a total loss of \$938,800 every year. While these organizations may serve a valuable purpose, the question is whether that purpose is worth nearly \$1 million per year in lost tax revenues. While it is unlikely, there may be other organizations that could qualify for this exemption increasing the lost tax revenues.

**OTHER
OPPONENTS
SAY:**

If this fraternal, charitable organization can receive a tax exemption simply because it has been in operation for 150 years, there is no reason not to grant that same exemption to similar benevolent or fraternal organizations in existence a shorter time.

NOTES: SB 1654 is the enabling legislation to SJR 36 by Montford.

The House companions, HB 1580 and HJR 3, both by Chisum, were reported favorably by the House Ways and Means Committee.

HJR 103 by Seidlits, introduced during the 73rd Legislative session, would have exempted from property taxation property of a benevolent or fraternal organization. HJR 103 was referred to the House Ways and Means Committee, but no action was taken.