

SUBJECT: Tax credits for real property contributed to the University of Houston

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 8 ayes — Finnell, Heflin, Holzheuser, Horn, Marchant, Oliveira, Place, Romo

0 nays

3 absent — Craddick, Wolens, T. Hunter

SENATE VOTE: On final passage, May 15 — 30-1 (Nelson)

WITNESSES: None

DIGEST: SB 1658 would authorize the comptroller to issue a credit against the payment of franchise taxes or sales and use taxes to a taxpayer who donates property in Harris County to the University of Houston (UH) by August 31, 1996.

UH could petition the Texas Higher Education Coordinating Board for approval to obtain the desired real estate. The board could approve the acquisition if the real estate was included in UH's master plan as a desired acquisition, if the real estate was fairly priced and if UH did not otherwise have sufficient funds available to acquire the real estate.

Before granting or denying the petition, the board would consider the comptroller's report on whether the estimate of fair market value presented in the petition was derived in a reasonable and professional manner, whether the owner of the real estate owed any outstanding taxes collected or administered by the comptroller and whether the owner qualified for a tax credit.

If the board approved the petition the comptroller would be required to grant the property owner a franchise or sales tax credit within 10 days of the approval. The tax credit would equal 50 percent of the fair market value of the property. The tax credit would be taken by the former property owners in equal increments over 20 years (5 percent of the total

credit per year) against their franchise tax or sales tax liability and the whole credit would have to be used within 20 years.

The taxpayer would be required to report the status of the credits. The reports would have to contain the original amount of the credit and its date of issue, the total amount of credit previously claimed by the taxpayer, the amount of credit claimed on the attached return, the remaining unused credit amount and the calendar year in which the credit expires.

The comptroller would be allowed to recover an amount erroneously claimed as a credit in a jeopardy or deficiency determination before the 4th anniversary of the date on which the erroneous claim was filed.

The bill would become effective September 1, 1995, and would expire on September 1, 1997.

**SUPPORTERS
SAY:**

SB 1658 would encourage the donation of valuable real estate to the University of Houston (UH) by granting the real estate donor a tax credit from the state in the amount of 50 percent of the fair market value of the land against the payment of franchise taxes or sales and use taxes. The donated real estate covered by SB 1658 is the site of the old Schlumberger Corporation headquarters adjoining UH's main campus. The site includes 77 acres of land fronting the Gulf Freeway and 650,000 square feet of office, classroom and existing laboratory space.

The receipt of a gift of such valuable real estate would benefit UH students and faculty as well as the surrounding Houston community. UH has committed to use the gift to benefit all the campuses in the UH System and Houston-area community colleges. The costs to the state of receiving this gift would be more than balanced by the benefits the donated land would bring to Houston's educational institutions.

**OPPONENTS
SAY:**

While the state should encourage the donation of land and other gifts to the state's colleges and universities, this bill would only apply to a particular gift to the University of Houston and would only benefit a particular donor or group of donors to UH. It is questionable public policy to single out for special treatment a particular gift or gifts to one public entity. According to the fiscal note, the tax credit would cause a loss to general revenue of at

least \$650,000 during the next biennium and \$350,000 per year in the future. It would be better to treat all gifts to state institutions uniformly and consistently.