

SUBJECT: Prorating property tax exemptions for nonprofit organizations

COMMITTEE: Ways and Means— favorable, without amendment

VOTE: 7 ayes — Craddick, Ramsay, Heflin, Holzheuser, Horn, Oliveira, Stiles
0 nays
4 absent — Grusendorf, Telford, Thompson, Williamson

SENATE VOTE: On final passage, Local and Uncontested Calendar, March 13 — 31-0

WITNESSES: (*On House companion, HB 526*)
For — Bob Green, Trinity Church; Sandra Jenkins, American GI Forum;
Jim Robinson

Against — None

On — Walter Stoneham

BACKGROUND : A property tax-exempt organization that purchases property in the middle of a tax year must pay the property taxes for the remainder of that year. The organization then files an exemption that becomes effective for the following year.

DIGEST: SB 95 would allow property tax-exempt organizations purchasing property after January 1 of a tax year to receive the tax exemption immediately. Eligibility for the exemption would be determined by an organization's qualifications on January 1 of the tax year.

The taxes would be prorated to reflect the number of days the property was owned by the organization. Taxes also would be prorated if the exemption terminated.

SB 95 would take effect January 1, 1998.

**SUPPORTERS
SAY:**

SB 95 would remedy an oversight in the Property Tax Code that adversely affects such property tax-exempt entities as churches and nonprofits that buy property after the deadline for filing exemptions has passed. The state has determined that exempting these organizations from property taxation is beneficial to the citizens of Texas, and they should be able to take full advantage of the exemption without reservation.

SB 95 would fix a glitch in the law that has resulted in the payment of thousands of dollars in property taxes by tax-exempt groups. For example, the American GI Forum, which provides low income housing for the elderly, has paid about \$10,000 in property taxes on several transactions that occurred after the deadline for filing a tax exemption. These unwarranted expenses to the budgets of such service groups is unfair, particularly for the smaller organizations, who may not have budgeted for the expense.

SB 95 would ensure that churches and nonprofits were not mistakenly charged property taxes from which they should rightly be exempt. Any property tax revenue lost would be negligible and would not be burdensome to localities since they were not expecting to receive such revenue from tax exempt organizations.

**OPPONENTS
SAY:**

SB 95 could result in lost property tax revenue to local school districts. Depending on a district's wealth per student, this could result in an increased cost to state-funded public education. Eroding local tax bases would be unwise at a time when future levels of property taxation and the state role in funding public education are both in flux.