

SUBJECT: Allowing law enforcement charitable association property tax exemption

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 5 ayes — J. Keffer, Paxton, Ritter, Smithee, Woolley

0 nays

4 absent — Villarreal, Edwards, Grusendorf, Luna

WITNESSES: For — Charlie Baker, Gale A. McMullen, Robert Strickland, Smith County Peace Officer Association; Michael Barnett

Against — None

DIGEST: CSHB 726 would allow the governing body of a taxing unit within a county of fewer than 250,000 residents to exempt from taxation property owned by a law enforcement officer association under certain conditions.

To qualify as a “law enforcement officer association,” an association would have to be considered a charitable, nonprofit organization under the Tax Code. In addition, it would be required to provide:

- charitable assistance with medical care costs to peace officers and their families, including surviving dependents of deceased officers; and/or
- support and relief to the spouses or children of peace officers, including the surviving dependents of deceased officers.

Eligible property would have to be owned and used exclusively by law enforcement officer organizations, except that incidental use by persons other than law enforcement officers for the benefit of the officer association would be permitted.

For an exemption to apply to unpaid property taxes imposed after 2000 and before 2006 on property owned by a law enforcement association, the bill would require a taxing unit by January 1, 2007, to adopt the exemption. The association would have to apply to receive tax exemptions for any of these years by January 1, 2008. If the application was approved,

the chief appraiser would notify the collector of each affected taxing unit, and the collector would deduct from the officer association's tax bill any unpaid tax and penalties. The collector could not refund any taxes, penalties, or interest that the association had paid during this period. This section would expire January 1, 2009.

If voters approve the constitutional amendment, HJR 32 by Berman, on November 8, 2005, this bill would take effect January 1, 2006.

**SUPPORTERS  
SAY:**

CSHB 726 and its constitutional authorization, HJR 32, would exempt certain properties of peace officer organizations that significantly contribute to cost-effective officer training and community support. The bill specifically would remedy a delinquent tax situation in Smith County. In 2000, the city of Tyler and Smith County donated property and a training facility to the Smith County Peace Officers Association. The property was added to the local tax roll in 2001, and in 2002 the association filed for an exemption on the property, presuming it would qualify. However, the property did not qualify, and now the association owes about \$30,000 in property taxes. CSHB 726 retroactively would exempt the property from its delinquent taxes and allow it to apply for subsequent exemptions.

The facility provides a base for Smith County peace officer training and regularly is the location for required Texas Commission on Law Enforcement Officer Standards Education (TCLEOSE) training. In addition, through membership dues and fundraising, the association is able to conserve local agency funds by offering training at its facility for no charge, which greatly benefits local peace officers who normally must travel outside of their counties and pay for TCLEOSE training. In 2004, more than 1,200 officers received training there from licensed instructors. Federal and state officers also use the facility free of charge.

Since 2000, the association has provided support to officers and their families, granted scholarships, and contributed to health care costs. It also holds food drives and charitable events for the community.

CSHB 726 would not place local governmental units in a financial bind by requiring them to exempt property from taxation. It would apply only to a very limited number of properties, and the exemption would require local government approval. Removing the property from the Smith County tax roll, for example, would have a negligible impact because the county

never has collected or relied upon that revenue. It is likely that other counties of this size would have similar experiences.

OPPONENTS  
SAY:

CSHB 726 would continue a trend toward more local tax exemptions and declining property tax revenues. As property value is taken off the tax rolls, local governments and taxing units experience financial constraints, as local governments rely on property taxes to fund local services and meet state and federal mandates. New exemptions would reduce much needed revenue.

While allowing the Smith County Peace Officer Association facility to be removed from the local tax roll may have a negligible effect on tax revenues in this county, other counties may not be so fortunate. This bill would encourage other associations to organize for the sole purpose of receiving an exemption. Even though local governments would not be required to exempt any property, local officials would be under great pressure to grant exemptions to charitable peace officer associations even if they could not afford to do it.

NOTES:

Rather than requiring the exemptions, the committee substitute would authorize a local governing body to approve the exemptions.

HJR 32 by Berman, the constitutional authorization for HB 726, is on today's Constitutional Amendments Calendar.