

- SUBJECT:** Revised tax exemption for nonprofits providing heating and cooling
- COMMITTEE:** Ways and Means — favorable, without amendment
- VOTE:** 7 ayes — Keffer, Ritter, Otto, Bonnen, Paxton, Pena, Pitts
0 nays
2 absent — Y. Davis, Flores
- WITNESSES:** For — Stephen K. Swinson, Thermal Energy Corporation
Against — None
- BACKGROUND:** Health and Safety Code, sec. 301.031 specifies that an entity – except for a cooperative association – engaged in health-related pursuits and exempt from federal income tax is considered an eligible institution if it is:
- a municipality;
 - a political subdivision of the state;
 - a health-related institution supported by the state or federal government;
 - a nonprofit health-related institution; or
 - a cooperative association created to provide a system, such as central heating and cooling services that include steam and chilled water supply, as long as a unit of that system is located in or next to a county with a population of more than 1.3 million that contains a municipality with a population of more than 1 million.
- Tax Code, sec. 11.11(i) allows a corporation organized under the Texas Non-Profit Corporation Act (VTCS, art. 1396-1.01 et seq.) that exclusively engages in providing chilled water and steam to an eligible institution under Health and Safety Code, sec. 301.031 is entitled to the same property tax exemption as state-owned property used for health or educational purposes.
- DIGEST:** HB 2186 would amend Tax Code, sec. 11.11(i) to allow a corporation organized under the Texas Non-Profit Corporation Act, or successor

statutes, to receive the property tax exemption if it was primarily, rather than exclusively, engaged in providing chilled water and steam to an eligible institution.

The bill would take effect January 1, 2008, and apply to the tax year beginning on or after that date.

NOTES:

According to the Legislative Budget Board, any exemptions provided under this bill could decrease taxable property values and cause an increase to related costs to the Foundation School Fund.

The companion bill, SB 812 by Janek, passed the Senate on April 12 on the Local and Uncontested Calendar and was reported favorably, without amendment, by the House Ways and Means Committee on May 2, making it eligible to be considered in lieu of HB 2186.