

BILL ANALYSIS

Senate Research Center

H.B. 2383
By: Hochberg (Cain)
Finance
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Engrossed

DIGEST

Article VII, Texas Constitution, provides for the taxation of all property in the state, unless exempt as required or permitted by the Constitution. Chapter 11, Tax Code (Taxable Property and Exemptions), provides for certain exemptions to ad valorem taxation (ie. schools, religious organizations, charitable organizations, etc.) and the qualifications for those exemptions.

These provisions include requirements relating to contents of exempt entities' organizational documents. A hyper-technical reading of these provisions may result in denial of exemption applications.

H.B. 2383 would standardize the rules applying to not-for-profit organizations regarding the opportunity to cure nonconforming documentation for exemption status.

PURPOSE

As proposed, H.B. 2383 standardizes the rules applying to not-for-profit organizations regarding the opportunity to cure nonconforming documentation for exemption status.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 11.18(f), Tax Code, to require a charitable organization to use its assets in performing the organization's charitable functions or the charitable functions of another charitable organization and by charter, bylaw, or other regulation adopted by the organization to govern its affairs direct that on discontinuance of the organization by dissolution or otherwise the assets are to be transferred according to certain provisions.

SECTION 2. Amends Section 11.19(d), Tax Code, to require an association to qualify as a youth development association for the purposes of this section to be organized and operated, rather than engaged in, primarily for the purpose of promoting the threefold spiritual, mental, and physical development of boys, girls, young men, or young women, to use its assets in performing the association's youth development functions or the youth development functions of another youth development association. Deletes text regarding assets for use in performing the association's youth development functions. Makes conforming changes.

SECTION 3. Amends Section 11.20(c), Tax Code, to require an organization, in order to qualify as a religious organization for the purpose of this section, to use its assets in performing the organization's religious functions or the religious functions of another religious organization. Deletes text regarding assets for use in performing the organization's religious functions. Makes conforming changes.

SECTION 4. Amends Section 11.21(d), Tax Code, to require an organization, in order to qualify as a school for the purposes of this section, to be organized and operated primarily for the purpose of engaging in educational functions and use its assets in performing the organization's educational functions or the educational functions of another educational organization. Deletes text regarding

assets for use in performing the organization's educational functions. Makes conforming changes,

SECTION 5. Amends Sections 11.421 and 11.422, Tax Code, to provide that the organization, if the chief appraiser denies a timely filed application for an exemption under Section 11.20 for an organization that otherwise qualified for the exemption on January 1 of the year but that did not satisfy the requirements of Subsection (c)(4), rather than (c)(3) of that section on that date, is eligible for the exemption for the tax year if the organization satisfies the requirements of Section 11.20(c)(4), rather than 11.20(c)(3) of this code, before the later of June 1 of the year to which the exemption applies, or the 60th, rather than 30th, day after the date the chief appraiser notifies the organization of its failure to comply with those requirements, and meets other qualifications. Provides that if the chief appraiser denies a timely filed application for an exemption under Section 11.21 for a school that otherwise qualified for the exemption of Subsection (d)(5), rather than (d)(3), of that section on that date, the school is eligible for the exemption for the tax year if the school satisfies the requirements of Section 11.21(d)(5), rather than 11.21(d)(3) of this code, before the later of certain dates. Makes nonsubstantive and conforming changes.

SECTION 6. Amends Chapter 11C, Tax Code by adding Sections 11.423 and 11.424, as follows:

Sec. 11.423. **QUALIFICATION OF CHARITABLE ORGANIZATION OR YOUTH ASSOCIATION.** Provides that if the chief appraiser denies a timely filed application for an exemption under Section 11.18 or 11.19 for an organization or association that otherwise qualified for the exemption on January 1 of the year but that did not satisfy the requirements on Section 11.18(f)(2) or 11.19(d)(5), as appropriate, on that date, the organization or association is eligible for the exemption for the tax year if the organization or association meets certain qualifications. Sets forth provisions applicable if the chief appraiser cancels an exemption for an organization or association under Section 11.18 or 11.19 that was erroneously allowed in a tax year for a certain reason.

Sec. 11.424. **CONFLICT BETWEEN GOVERNING REGULATION OF NONPROFIT ORGANIZATION, ASSOCIATION, OR ENTITY AND CONTRACT WITH UNITED STATES.** Sets forth provisions regarding the extent of a conflict between a provision in a contract entered into by an organization, association, or entity with the United States and a provision in the charter, a bylaw, or other regulation adopted by the organization or entity to govern its affairs in compliance with certain law.

SECTION 7. Amends Section 11.434(d), Tax Code, to prohibit an application from being filed under this section after December 31, 1997, rather than December 31, 1992.

SECTION 8. Provides that Section 23.55(j), Tax Code, as added by Chapter 471, Acts of the 74th Legislature, Regular Session, applies to a change on use of land on, before or after certain dates.

SECTION 9. Emergency clause.
Effective date: upon passage.