

BILL ANALYSIS

Senate Research Center
76R8924 SMH-D

H.B. 873
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Finance
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Engrossed

DIGEST

Currently, certain nonprofit organizations are entitled to an exemption from ad valorem taxation for certain real property owned by the organization and used in accordance with the organization's nonprofit mission. There has been inconsistent treatment of this exemption by some assessors, due to their interpretations that property on which improvements are incomplete do not qualify for the exemption. This bill would provide that an incomplete improvement of property belonging to certain organizations qualifies for an exemption from ad valorem taxation for a period of not more than three years.

PURPOSE

As proposed, H.B. 873 provides that an incomplete improvement of property belonging to certain organizations qualifies for an exemption from ad valorem taxation for a period of not more than three years.

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, Tax Code, by amending Subsection (a) and adding Subsections (l) and (m), to exempt from ad valorem taxation real property owned by a charitable organization consisting of an incomplete improvement that is under active construction or other physical preparation and is designed and intended to be used exclusively by qualified charitable organizations and the land on which it is located that will be reasonable necessary for the use of the improvement. Prohibits such a property from being exempted for more than three years. Provides that an incomplete improvement is under physical preparation, for the purposes of Subsection (a), if the owner has engaged in architectural or engineering work, soil testing, land clearing activities, or site improvement work necessary for the construction of the improvement; or conducted an environmental or land study relating to the construction of the improvement.

SECTION 2. Amends Section 11.19, Tax Code, by amending Subsection (a) and adding Subsections (e) and (f), to exempt from ad valorem taxation real property owned by a youth development association consisting of an incomplete improvement that is under active construction or other physical preparation and is designed and intended to be used exclusively by qualified youth development associations and the land on which it is located that will be reasonably necessary for the use of the improvement. Prohibits such a property from being exempted for more than three years. Provides that an incomplete improvement is under physical preparation, for the purposes of Subsection (a), if the owner has engaged in architectural or engineering work, soil testing, land clearing activities, or site improvement work necessary for the construction of the improvement; or conducted an environmental or land study relating to the construction of the improvement.

SECTION 3. Amends Section 11.20(f), Tax Code, to prohibit the property of a religious organization from being exempted for more than three years, rather than two years.

SECTION 4. Amends Section 11.21, Tax Code, by amending Subsection (a) and adding Subsections (g) and (h), to exempt from ad valorem taxation real property owned by a qualified school consisting of an incomplete improvement that is under active construction or other physical preparation and is designed and intended to be used exclusively by a qualified school and the land on which it is located that will be reasonably necessary for the use of the improvement. Prohibits such a property from being exempted for

more than three years. Provides that an incomplete improvement is under physical preparation, for the purposes of Subsection (a), if the owner has engaged in architectural or engineering work, soil testing, land clearing activities, or site improvement work necessary for the construction of the improvement; or conducted an environmental or land study relating to the construction of the improvement.

SECTION 5. Amends Section 11.23, Tax Code, by adding Subsection (l), to exempt a person described by Subsection (a)-(e), (g), or (i)-(k), Section 11.23, Tax Code, from ad valorem taxation real property owned by the person consisting of an incomplete improvement that is under active construction or other physical preparation and is designed and intended to be used exclusively by a qualified school and the land on which it is located that will be reasonable necessary for the person's use of the improvement. Prohibits such a property from being exempted for more than three years. Provides that an incomplete improvement is under physical preparation, for the purposes of Subsection (a), if the owner has engaged in architectural or engineering work, soil testing, land clearing activities, or site improvement work necessary for the construction of the improvement; or conducted an environmental or land study relating to the construction of the improvement.

SECTION 6. Amends Section 11.30, Tax Code, to exempt from ad valorem taxation real property owned and used by a corporation organized under Chapter 67, Water Code, consisting of an incomplete improvement that is under active construction or other physical preparation and is designed and intended to be used exclusively by a qualified school and the land on which it is located that will be reasonably necessary for the use of the improvement. Prohibits such a property from being exempted for more than three years. Provides that an incomplete improvement is under physical preparation, for the purposes of Subsection (a), if the owner has engaged in architectural or engineering work, soil testing, land clearing activities, or site improvement work necessary for the construction of the improvement; or conducted an environmental or land study relating to the construction of the improvement.

SECTION 7. Emergency clause.
Effective date: upon passage.