

## **BILL ANALYSIS**

Senate Research Center  
77R9546 JD-F

H.B. 2175  
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Intergovernmental Relations  
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Engrossed

### **DIGEST AND PURPOSE**

The Texas Medical Center Central Heating and Cooling Services Cooperative Association (TECO) is a Texas nonprofit cooperative association that currently has an exemption from ad valorem taxes. As a cooperative, TECO has not yet been able to use tax-exempt financing for its plant capital needs, but is attempting to change its status to a nonprofit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, TECO will no longer be exempt from ad valorem taxation of its properties if TECO becomes a nonprofit corporation. A change to the exemption of ad valorem taxation of property would eliminate the benefit from the use of tax-exempt finances for its plant capital needs. H.B. 2175 provides that a nonprofit corporation that engages exclusively in providing chilled water and steam to an eligible health-related institution is entitled to an exemption from taxation of the property the corporation owns, as though such property were owned and used by the state for health or educational purposes.

### **RULEMAKING AUTHORITY**

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

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 11.11, Tax Code, by adding Subsection (i) to provide that a corporation organized under the Texas Non-Profit Corporation Act (Article 1396-1.01 et seq., V.T.C.S.) that engages exclusively in providing chilled water and steam to an eligible institution, as defined by Section 301.031, Health and Safety Code, is entitled to an exemption from taxation of the property the corporation owns, as though the property of the corporation were owned by this state and used for health or educational purposes.

SECTION 2. Effective date: upon passage or September 1, 2001.