

SUBJECT: Exempting from property tax certain royalty interests held by charities

COMMITTEE: Ways & Means — favorable, without amendment

VOTE: 9 ayes — Meyer, Craddick, Gervin-Hawkins, Hefner, Muñoz, Noble,  
Raymond, Shine, Turner

0 nays

2 absent — Thierry, Button

WITNESSES: For — Stephen Nelson, Manor Park; Reagan Marble, National Association of Royalty Owners; Pat McDaniel; and Don Sparks. (*Registered, but did not testify*: Alyse Meyer, Leading Age Texas; Kevin Hale, Libertarian Party of Texas; Jennifer Bremer, Texas Land & Mineral Owners Association; Laura Colangelo, Texas Private Schools Association; and Jennifer Allmon, The Texas Catholic Conference of Bishops)

Against — (*Registered, but did not testify*: Susan Stewart)

On — (*Registered, but did not testify*: Allison Mansfield and Brad Reynolds, Comptroller of Public Accounts)

BACKGROUND: Texas Tax Code Section 11.18 specifies the criteria a charitable organization must meet to qualify for certain property tax exemptions.

Texas Tax Code Section 201.001 includes definitions used to implement the gas production tax. Section 201.001(f) specifies that "royalty interest" means an interest in mineral rights in a producing leasehold in the state but does not include the interest of the person having the management and operation of a well.

DIGEST: HB 456 would amend Texas Tax Code Chapter 11.18 by adding royalty interest in mineral rights, as defined in Texas Tax Code Section 201.001, to the list of property owned by a charitable organization that was exempt from property tax.

The bill would take effect January 1, 2024.

**SUPPORTERS  
SAY:**

HB 456 would clarify the tax code and resolve inconsistencies whereby some counties are taxing charitable organization's royalty interests while other counties are not. Providing clarification in HB 456 would ensure a property tax exemption for royalty interest was applied consistently throughout the state and would allow those charitable organizations currently being taxed to retain those tax dollars to use for charitable purposes.

**CRITICS  
SAY:**

While exempting charitable organizations from property taxes could help these charities conserve resources, the impact of the bill on state and local tax revenue has not yet been identified. Legislators should be cautious until there is a defined or estimated cost to the state.

**NOTES:**

According to the Legislative Budget Board (LBB), the cost of the bill cannot be estimated because the amount of property tax on royalty interest being paid by charitable organizations is currently unknown.