

BILL ANALYSIS

Senate Research Center

C.S.S.B. 914
By: Ogden
Education
4/12/2001
Committee Report (Substituted)

DIGEST AND PURPOSE

Chapter 53 of the Education Code permits a city to create a higher education authority or a nonprofit corporation to exercise powers similar to those of an authority. The nonprofit organization can issue tax exempt bonds to buy educational facilities or dormitories within or outside the city that created the corporation. If the project is a dormitory, then the bonds, which are sold to investors, are paid off from the rent from the dormitory. To qualify under the law, the dormitories must be rented exclusively to students or others officially connected with a university. The tax exempt bonds must be approved by the state attorney general's office. The educational or dormitory facilities built by an authority are exempt from ad valorem property taxes. Some cities and private individuals, through the use of an authority, are financing the construction of student apartment complexes outside their extraterritorial jurisdiction and claiming a property tax exemption, even when the authority has no specific connection to a higher education institution. C.S.S.B. 914 clarifies current law regarding the tax exempt status of property owned by a higher education authority. It would tighten language in current law to insure that educational and student housing facilities financed by an authority have a connection to an educational institution in order to qualify for tax exempt status.

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 53.46, Education Code, as follows:

Sec. 53.46. New heading: EXEMPTION FROM TAXATION. (a) Provides that an educational facility or housing facility is exempt from taxation if the facility qualifies for an exemption under this section. Sets forth the conditions under which an educational or housing facility is exempt from taxation. Requires certain parts of this section to not apply to any authority or non-profit corporation created or to be created under this chapter by a city if an authority or non-profit corporation created by the same city had granted room and board scholarships prior to September 1, 2001 to students residing in facilities owned by such authority or non-profit corporation. Sets forth penalties if a certain housing facility fails to award scholarships having a value at least equal to the amount of ad valorem taxes that would have been owed if the facility has not been tax exempt. Sets forth the manner in which the value of scholarships are to be determined. Prohibits this provision from altering an existing agreement in existence prior to September 1, 2001, without permission of the affected taxing authority. Requires the local taxing unit to determine the amount of the difference between the value of the scholarships and the taxes that would have been payable.

SECTION 2. Amends Chapter 53C, Education Code, by adding Section 53.461 as follows:

Sec. 53.461. TAX REBATE. Provides that a housing facility is eligible for a rebate of the ad valorem property taxes paid to a taxing unit as defined by Section 1.04 (Definitions), Tax

Code, under certain conditions. Requires the governing body of the taxing unit to determine the amount of the rebate, except that the amount of the rebate in any year is prohibited from exceeding the lesser of certain amounts.

SECTION 3. Effective date: upon passage or September 1, 2001.

SUMMARY OF COMMITTEE CHANGES

Amends As Filed S.B. 914 as follows:

SECTION 1. Removes proposed text pertaining to the authority of nonprofit corporations regarding educational or housing facilities. Adds proposed text pertaining to the exemption from taxes of certain educational or housing facilities.

SECTION 2. Adds proposed text pertaining to the eligibility of a housing facility for a rebate of ad valorem property taxes.

SECTION 3. Provides that this Act takes effect upon passage or September 1, 2001, rather than taking effect September 1, 2001.