

BILL ANALYSIS

Senate Research Center
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S.B. 475
By: Wentworth et al.
Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Certain non-profit organizations qualify for an ad valorem tax exemption, including city, county, and school district taxes, for land and buildings used by the organization. Fraternal organizations receive this exemption only if it is adopted by either the governing body of the taxing unit or by a majority vote of the qualified voters of the taxing unit.

As proposed, S.B. 475 entitles a qualified charitable organization to an exemption from taxation of certain properties. S.B. 475 also grants an exemption to an entity under Section 501(c)(2), Internal Revenue Code of 1986, if it holds title to property for or collects income from the property for a fraternal organization and turns the entire amount of that income, less expenses, over to the fraternal organization that otherwise would qualify for a property tax exemption if it owned the property. In such cases, the fraternal organization is required to submit an application to the comptroller of public accounts (comptroller) to determine whether the eligibility requirements are met before the corporation is authorized to submit an application for the property tax exemption. If the comptroller determines that the corporation is eligible to receive the property tax exemption and issues a favorable determination letter, the chief appraiser is required to accept the copy of the letter as conclusive evidence that the corporation is eligible to receive a property tax exemption.

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 11.184, Tax Code, by amending Subsection (c) and adding Subsections (l)-(n), as follows:

(c) Entitles a qualified charitable organization (organization) to an exemption from taxation of certain properties, rather than entitles an organization to an exemption from taxation of certain properties if approved under Subsection (b) (relating to the adoption of an exemption by certain methods).

(l) Entitles a corporation that is not an organization, notwithstanding the other provisions of this section, to an exemption from taxation of property under this section if the corporation is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, by being listed as an exempt entity under Section 501(c)(2) of that code; the corporation holds title to the property for, collects income from the property for, and turns over the entire amount of that income, less expenses, to an organization; and the organization would qualify for an exemption from taxation of the property under this section if the organization owned the property.

(m) Requires the organization for which the corporation holds title to the property to apply to the comptroller of public accounts (comptroller) for the determination described by Subsection (e) (regarding eligibility for exemption) with regard to the organization before a corporation described by Subsection (l) is authorized to submit an application for an exemption under this section. Requires that the application for the determination also include an application to the comptroller of public accounts (comptroller) for a determination of whether the corporation meets the requirements of Subsections (l)(1)

and (2). Requires the corporation to submit with the application for an exemption under this section a copy of the determination letter issued by the comptroller. Requires the chief appraiser to accept the copy of the letter as conclusive evidence of the matters described by Subsection (h) (regarding the organization's engagement in charitable functions) as well as of whether the corporation meets the requirements of Subsections (l)(1) and (2).

(n) Requires the organization for which the corporation holds title for property, notwithstanding Subsection (k) (regarding expiration of an exemption), to obtain a new determination letter and the corporation is required to reapply for exemption in order for a corporation to continue to receive an exemption under Subsection (l) after the fifth tax year after the year in which the exemption is granted.

SECTION 2. Repealer: Section 11.184(b) (regarding grant of exemptions), Tax Code.

SECTION 3. Makes application of this Act prospective.

SECTION 4. Effective date: January 1, 2010.