

CHAPTER 960

S.B. No. 809

An Act relating to the requirements that an organization must meet to qualify as a charitable organization exempt from property taxation; amending Subsection (c), Section 11.18, Tax Code, as amended.

Be it enacted by the Legislature of the State of Texas:

SECTION 1. Subsection (c), Section 11.18, Tax Code, is amended to read as follows:

“(c) To qualify as a charitable organization for the purposes of this section, an organization (whether operated by an individual, as a corporation, or as an association) must:

“(1) be organized exclusively to perform religious, charitable, scientific, literary, or educational purposes and, except as permitted by Subsection (d) of this section, engage exclusively in performing one or more of the following charitable functions:

“(A) providing medical care without regard to the beneficiaries’ ability to pay;

“(B) providing support or relief to orphans, delinquent, dependent, or handicapped children in need of residential care, abused or battered spouses or children in need of temporary shelter, the impoverished, or victims of natural disaster without regard to the beneficiaries’ ability to pay;

“(C) providing support to elderly persons or the handicapped without regard to the beneficiaries’ ability to pay;

“(D) preserving a historical landmark or site;

“(E) promoting or operating a museum, zoo, library, theater of the dramatic arts, or symphony orchestra or choir;

“(F) promoting or providing humane treatment of animals;

“(G) acquiring, storing, transporting, selling, or distributing water for public use;

“(H) answering fire alarms and extinguishing fires with no compensation or only nominal compensation to the members of the organization;

“(I) promoting the athletic development of boys or girls under the age of 18 years;

“(J) preserving or conserving wildlife;

“(K) promoting educational development through loans or scholarships to students;

“(L) providing halfway house services pursuant to a certification as a halfway house by the Board of Pardons and Paroles;

“(M) providing permanent housing and related social, health care, and educational facilities for persons who are 62 years of age or older without regard to the residents’ ability to pay; ~~or~~

“(N) promoting or operating an art gallery, museum, or collection, in a permanent location or on tour, that is open to the public; or

“(O) providing for the organized solicitation and collection for distributions through gifts, grants, and agreements to nonprofit charitable, education, religious, and youth organizations that provide direct human, health, and welfare services;

“(2) be operated in a way that does not result in accrual of distributable profits, realization of private gain resulting from payment of compensation in excess of a reasonable allowance for salary or other compensation for services rendered, or realization of any other form of private gain and, if the organization performs one or more of the charitable functions specified by ~~Paragraph (C), (D), (E), (F), (G), (J), (K), (M), or (N) of~~ Subdivision (1) of this subsection *other than a function specified in Paragraph (A), (B), (H), (I), or (L)*, be organized as a nonprofit corporation as defined by the Texas Non-Profit Corporation Act; ~~and~~

“(3) by charter, bylaw, or other regulation adopted by the organization to govern its affairs:

“(A) pledge its assets for use in performing the organization’s charitable functions; and

“(B) direct that on discontinuance of the organization by dissolution or otherwise:

“(i) the assets are to be transferred to this state or to an educational, religious, charitable, or other similar organization that is qualified as a charitable organization under Section 501(c)(3), Internal Revenue Code of 1954, as amended; or

“(ii) *if required for the organization to qualify as a tax-exempt organization under Section 501(c)(12), Internal Revenue Code of 1954, as amended, the assets are to be transferred directly to the organization’s members, each of whom, by application for an acceptance of membership in the organization, has agreed to immediately transfer those assets to this state or to an educational, religious, charitable, or other similar organization that is qualified as a charitable organization under Section 501(c)(3), Internal Revenue Code of 1954, as amended, as designated in the bylaws, charter, or regulation adopted by the organization; and*

“(4) *if the organization performs a charitable function specified by Paragraph (O) of Subdivision (1) of this subsection:*

“(A) *be affiliated with a state or national organization that authorizes, approves, or sanctions volunteer charitable fundraising organizations;*

“(B) qualify for exemption under Section 501(c)(3), Internal Revenue Code of 1954, as amended;

“(C) be governed by a volunteer board of directors; and

“(D) distribute contributions to at least five other associations to be used for general charitable purposes, with all recipients meeting the following criteria:

“(i) be governed by a volunteer board of directors;

“(ii) qualify for exemption under Section 501(c)(3), Internal Revenue Code of 1954, as amended;

“(iii) receive a majority of annual revenue from private or corporate charitable gifts and government agencies; and

“(iv) provide services without regard to the ability of persons receiving the services to pay for the services.”

SECTION 2. This Act takes effect January 1, 1986.

SECTION 3. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended.

Passed the Senate on April 4, 1985, by the following vote: Yeas 31, Nays 0; Senate concurred in House amendment on May 27, 1985, by the following vote: Yeas 31, Nays 0; passed the House, with amendment, on May 21, 1985, by the following vote: Yeas 143, Nays 0, two present not voting.

Filed: June 16, 1985, without signature.

Effective: January 1, 1986