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TAX TOPICS

PROPERTY TAX

Texas Comptroller of
Public Accounts

Property Tax Exemption for Organizations Engaged in Charitable Activities

Organizations engaged primarily in charitable activities may be eligible for a property tax exemption. The exemption is in Tax Code Section 11.184, and more detailed information is available in Comptroller Rule 9.417.

Additionally, a corporation may be eligible for a property tax exemption if it:

- is exempt from federal income tax under Section 501(c)(2) of the Internal Revenue Code (IRC);
- holds title to property for a qualified charitable organization;
- collects income from the property for a qualified charitable organization; and
- turns over the entire amount of income, less expenses, to a qualified charitable organization.

The organization for which the 501(c)(2) corporation holds title to property must meet the requirements of Tax Code Section 11.184, and be a qualified charitable organization that would qualify for exemption from taxation of the property under Section 11.184, if it owned the property.

The local tax appraisal district will decide if an individual organization's property qualifies for exemption upon receipt of the *Application for Primarily Charitable Organization Property Tax Exemption* (Form 50-299) and the Property Tax Determination letter issued to the organization by the Comptroller's office.

Taxing jurisdictions and appraisal districts that have questions about their role should contact the Comptroller's Property Tax Division at 1-800-252-9121.

Charitable Organizations

To qualify for property tax exemption, an organization must be engaged primarily in performing one or more of the statutory charitable functions listed in Sec. 11.18(d) of the Tax Code or hold title to property for such organization.

Once an entity obtains a property tax determination letter from the Comptroller and the local appraisal office determines the property is entitled to the exemption, the exemption applies to the following types of property used exclusively by the organization:

- buildings (including incomplete improvements)
- other real property, and
- tangible personal property.

An organization can be qualified but receive no benefit from the exemption because either it owns no property, or the appraisal district determines that the property is not used exclusively for qualifying charitable activities.

Qualifying for Exemption

An organization must apply for a "determination letter" from the Comptroller's office by completing a *Texas Application for Organizations Engaged Primarily in Performing Charitable Functions and for Corporations that Hold Title to Property for Such Organizations* (Form AP-199).

FOR MORE INFORMATION,
SEARCH OUR WEBSITE AT
Comptroller.Texas.Gov

OR CALL
1-800-252-5555.

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PROPERTY TAX EXEMPTION FOR ORGANIZATIONS ENGAGED IN CHARITABLE ACTIVITIES

Within 90 days, a qualifying organization will receive a determination letter from the Comptroller’s office stating whether the organization is eligible to apply to its local tax appraisal district for the property tax exemption. When applying for the property tax exemption with the local tax appraisal district, the organization must file a copy of the Comptroller’s determination letter along with an *Application for Primarily Charitable Organization Property Tax Exemption/501(c)(2) Property Tax Exemptions* (Form 50-299).

In making a determination, the Comptroller’s office considers several factors.

For organizations engaged primarily in performing charitable functions to obtain a property tax determination letter, these factors are considered:

- whether the organization has an IRS Sec. 501(c) tax exemption;
- whether the organization holds a letter from the Comptroller’s office for exemption from sales tax;
- whether the organization’s charter or bylaws require charitable work or public service; and
- whether the amount of monetary support or in-kind charitable or public service contributed is in proportion to operating expenses, dues and the preceding year’s property taxes.

For 501(c)(2) corporations that hold title to property for organizations engaged primarily in performing charitable functions to obtain a property tax determination letter, these factors are considered:

- whether the organization has an IRS Sec. 501(c)(2) tax exemption;

- whether the 501(c)(2) organization holds title to property for a “qualified charitable organization” as that term is defined under Tax Code, Section 11.184; and
- whether the 501(c)(2) organization holds title to the property for, collects income from the property for, and turns over the entire amount of that income, less expenses, to the qualified charitable organization for which it holds title to the property.

The Comptroller’s office may request other additional relevant information.

To ensure receipt of a determination letter before the April 30 exemption application deadline, an organization should file an application to the Comptroller’s office before April 1.

The local chief appraiser makes the final determination for an organization’s qualification for exemption based on:

- receipt of the Comptroller’s determination letter; and
- whether the appraisal district determines the property is used exclusively by the organization for charitable purposes.

The chief appraiser can extend the April 30 deadline for filing an exemption application for a single period not to exceed 60 days.

A qualifying organization must reapply and obtain a new determination letter every five years.

The Tax Code is available online.

FOR MORE INFORMATION,
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