



Brief: Charitable Tax Exemption

86th Regular Session, Policy Paper No. 36 of 40

February 22, 2019

Key Points:

1. Civil law seeks to help groups of people live in peace by acting virtuously.
2. State taxes have always incentivized advancing the common good.
3. We support HB 948 to strengthen Texas' property tax exemption.

A Catholic perspective: We support certain exemptions from taxation to encourage charitable giving by taxpayers to nonprofit entities.

At its core, civil law's purpose is to help groups of people live in peace by acting virtuously.

People may be led to live in this way by simple encouragement if they are already inclined to do so by nature, custom, or grace, but because some people are inclined to vice, civil law must also keep the peace through force.^[1]

Understanding this, legislators may see that certain organizations—religious, philanthropic, charitable, educational, historical, or scientific—offer citizens the opportunity and encouragement to contribute to the common good and may then maintain laws which exempt such organizations from taxation. Such civil laws are in accord with two principles of Catholic social teaching, solidarity and subsidiarity:

- *Solidarity* is a determination to commit oneself to the common good and is distinct from a feeling of vague compassion or shallow distress at the misfortunes of others.^[2]
- *Subsidiarity* is a principle of action according to which it is wrong for the community or powerful associations to take from less powerful groups or individuals the work they can accomplish on their own.^[3]

Solidarity and subsidiarity should not be sep-

arated: solidarity without subsidiarity drifts toward a welfare state, while subsidiarity without solidarity drifts toward self-centered individualism.^[4] If civil law makes room for both, it provides opportunities for citizens to form organizations which are essential to public and private goodness and happiness.^[5]

Texas law and policy: In accord with the view that certain organizations offer citizens the opportunity and encouragement to contribute to the common good, religious organizations are exempt from sales, franchise, vehicles, and property taxes. Many of Texas' tax laws have provided charitable exemptions since their establishment.

The *Sales and Use Tax*, which is a levy on transactions, is the largest source of tax revenue for Texas state government, providing an estimated 57 cents of every state tax dollar in fiscal year 2018. In general, it is imposed on final sales, rentals, and leases of physical goods, and on sales of certain services such as amusements, telecommunications, and the repairs of physical property. Exemptions are provided for certain basic necessities, such as groceries, as well as when sales are made to certain groups, including local governments, religious, nonprofit, and educational organizations.^[6] Sale of publications by religious, philanthropic, charitable, historical, scientific, and similar

organizations are also exempt.

The *Franchise Tax* is Texas' primary business tax. It has been through multiple revisions; the current version, established in 1992, was reformed extensively in 2006. Texas Tax Code both recognizes certain federal exemptions for nonprofit organizations and contains its own set of specific exemptions. Therefore, a church may qualify for exemption under its federal 501(c)(3) status or under Texas' exemption for religious organizations.^[7]

The *Motor Vehicles Sales and Use Tax* is a tax on transactions of certain vehicles sold in Texas as well as vehicles purchased out of state and then brought into Texas. The tax does not apply to the sale, use, or rental of a motor vehicle used for religious purposes.^[8]

While a statewide *Property Tax* is constitutionally prohibited, local entities, including counties, cities, school districts and special-purpose districts such as community colleges, hospitals, and flood control districts, may collect property taxes. Property owned by a qualified religious organization and used as a place of worship or clergy residence is exempt.^[9] Among several requirements, the religious organization must:

1. have the primary purpose of engaging in religious worship or promoting spiritual well-being;
2. operate in a way that does not result in accrual of distributable profits, and
3. use its assets in performing the organization's religious functions.

Key bill summary: HB 948 extends from six years to 10 years the property tax exemption for land owned by a religious organization for the purpose of expanding a place of religious worship or constructing a new place of religious worship. We support this bill to allow religious Texans to freely contribute to the common good.

Call to action: To support religious liberty in the Texas legislature, visit txcatholic.org/liberty to find and contact your lawmaker. Please also pray for Texas and for our legislators, that they may preserve religious freedom for us and our children.

The TCCB is a federation of all Roman Catholic dioceses and ordinariates in Texas. There are 8 million Catholics living in our state. To contact us, call our office at 512-339-9882 or find TXCatholic on [Facebook](#) and [Twitter](#).

Endnotes

1. Thomas Aquinas, *Summa Theologica*, [I.II Q. 95 Art. 1. Answer](#).
2. Compendium of the Social Doctrine of the Church (CSDC) § [193-196](#), [103](#).
3. CSDC § [185-188](#); Pius XI, *Quadragesimo Anno [On Reconstruction of the Social Order]*, May 15, 1931. § 79.
4. CSDC § [351](#).
5. Aquinas, *Commentary on the Nicomachean Ethics*. Trans. C. I. Litzinger, O.P., 1964. [VIII.2:1559](#), [VIII.9:1662-1666](#), [VIII.11:1698](#), [IX.11:1909](#).
6. Texas Tax Code (TTC) § [151.310](#); Texas Comptroller, *Tax Exemptions & Tax Incidence* (November 2018) 3, 7.
7. TTC § [171.063\(a\)\(1\)](#); [171.058](#); *Tax Exemptions*, 17-18.
8. TTC § [152.088](#); *Tax Exemptions*, 31-32.
9. TTC § [11.20](#); *Tax Exemptions*, 39.