



CITY OF EL PASO

Proposition 2

Child-Care Facilities

Texas Tax Code

Title 1 Property Tax Code

Subtitle C. Taxable Property and Exemptions

Chapter 11. Taxable Property and Exemptions

Subchapter A. Taxable Property

Agenda

- Proposition 2 Background
- Definition
- Property Tax Exemption
- Qualification Criteria
- Application Process

Proposition 2 Background

- November 7, 2023 Election
- Authorized the state legislature to pass a law to authorize a property tax exemption on all or part of the property used to operate a child-care facility
- It also authorized the state legislature to define child-care facility and imposed eligibility requirements for qualifying for the tax exemption

Election results

Texas Proposition 2		
Result	Votes	Percentage
✔ Yes	1,629,151	64.78%
No	885,704	35.22%

Definitions

- **Child-care facility**
 - Refers to a licensed establishment by the Health and Human Services Commission
 - It provides assessment, care, training, education, custody, treatment, or supervision for children who are not related by blood, marriage, or adoption to the owner or operator of the facility
 - This service can be offered for all or part of the 24-hour day, regardless of whether the facility operates for profit or charges for its services

Definitions

- **Qualifying child-care facility**
 - The owner or operator participates in the Texas Workforce Commission's Texas Rising Star Program (as described by Section 2308.3155 of the Government Code) for that facility
 - At least 20% of the total enrolled children receive subsidized child-care services administered by the Texas Workforce Commission

Property Tax Exemption

- If the governing body of a county or municipality adopts the exemption, a person is entitled to an exemption from taxation for:
 - The real property they own and operate as a qualifying child-care facility
 - The portion of real property they own and lease to someone who uses it to operate a qualifying child-care facility
- The governing body can specify the exemption percentage, which must be at least 50% of the appraised value of the property

Qualification Criteria

- To qualify for this exemption:
 - The property must be used exclusively to provide developmental and educational services for children attending the child-care facility
 - The property must be reasonably necessary for the operation of the child-care facility
- Incidental use of exempt property for other functions (benefiting children, staff, or faculty) does not result in the loss of the exemption

Application Process

- Application must be submitted to the Central Appraisal District, along with an affidavit certifying:
 - A disclosure document was provided to the facility stating property tax reduction amount
 - The rent charged for the lease of the property reflects the reduction in the amount of taxes on the property through a monthly or annual credit against the rent
 - The person does not charge rent for the lease of the property in an amount that exceeds rent charged to other commercial tenants of similar space or average rent for comparable property

Application Process

- A person who owns and leases property for a qualifying child-care facility may not claim an exemption for property:
 - For which the person claims an exemption for residence homestead, or
 - Any part of which is leased for use as a principal residence

Estimated City Cost

- 387 Child-care facilities in El Paso
 - 105 facilities qualify for the property tax exemption
 - Estimated impact of \$49,740 of those currently eligible

Recommendation

- Recommend a 100% property tax exemption for qualified Childcare Facilities effective for 2024 tax year

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Deliver exceptional services to support a high quality of life and place for our community.

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Develop a vibrant regional economy, safe and beautiful neighborhoods and exceptional recreational, cultural and educational opportunities powered by a high performing government.



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Accountability, **P**eople

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para respaldar una vida y un
lugar de alta calidad para
nuestra comunidad

VISIÓN



Desarrollar una economía regional
vibrante, vecindarios seguros y
hermosos y oportunidades
recreativas, culturales y educativas
excepcionales impulsadas por un
gobierno de alto desempeño



VALORES

Integridad, Respeto, Excelencia,
Responsabilidad, Personas

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