



# City of Killeen

## Legislation Text

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File #: OR-24-007, Version: 1

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Consider an ordinance adopting an exemption from ad valorem taxes for qualifying child-care facilities to apply to the tax year beginning January 1, 2025.

**DATE:** June 18, 2024

**TO:** Kent Cagle, City Manager

**FROM:** Judith Tangalin, Executive Director of Finance

**SUBJECT:** Exemption from Ad Valorem Taxes for Qualifying Child-Care Facilities

**BACKGROUND AND FINDINGS:**

The November 2023 election included State Proposition 2 for Constitutional Amendment that proposed allowing a governing body of a county or municipality to exempt from property taxation all or part of the appraised value of real property used to operate a child-care facility. The proposed amendment would authorize the governing body to adopt the exemption as a percentage of the appraised value of the property, but that percentage could not be less than 50% of the appraised value of the property. State Proposition 2 passed in the statewide election. The Bell County election results for State Proposition 2 were 63.6% For and 36.4% Against.

Section 11.36 of the Texas Tax Code, as added by S.B. 1145 of the 88<sup>th</sup> Texas Legislature regular session (2023), authorizes a municipality to adopt an exemption from ad valorem property taxes on all or part of the appraised value of real property, or a portion thereof, operating as a qualifying child-care facility. Qualifying child-care facility is described in Section 2308.3155, Government Code as an owner or operator that participates in the Texas Workforce Commission's Texas Rising Star Program and at which at least 20% of the total number of children enrolled at the facility receive subsidized child-care services provided through the child-care services program administered by the Texas Workforce Commission.

On May 21, 2024, the City Council provided a motion of direction to bring this item back at a future workshop with a proposed 100% exemption from ad valorem taxes on real property for qualifying child-care facilities as allowed by Section 11.36 of the Texas Tax Code.

**THE ALTERNATIVES CONSIDERED:**

Do not approve exemption, approve at 50% exemption, approve at a level of exemption between 50% and 99%, or approve at 100% exemption.

**Which alternative is recommended? Why?**

N/A

**CONFORMITY TO CITY POLICY:**

In accordance with Section 11.36 of the Texas Tax Code and the provisions of Government Code 551.001.

**FINANCIAL IMPACT:**

**What is the amount of the revenue/expenditure in the current fiscal year? For future years?**

The deadline for submission of the application is April 30<sup>th</sup>, therefore if the exemption is passed by City Council it will be effective for tax year January 1, 2025. The estimated fiscal impact for FY 2026 at 50% exemption if all child-care facilities currently in the Texas Rising Star Program qualified is approximately \$30,000 in revenue loss. The estimated fiscal impact for FY 2026 at 100% exemption with the same assumptions would be approximately \$60,000 in revenue loss.

**Is this a one-time or recurring revenue/expenditure?**

Recurring

**Is this revenue/expenditure budgeted?**

Yes, property tax is a budgeted revenue in the General Fund account 010-0000-311.01-00.

**If not, where will the money come from?**

N/A

**Is there a sufficient amount in the budgeted line-item for this revenue/expenditure?**

Yes

**RECOMMENDATION:**

N/A

**DEPARTMENTAL CLEARANCES:**

Finance  
Legal

**ATTACHED SUPPORTING DOCUMENTS:**

Ordinance  
Presentation