



ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

Table with 2 columns: Field (To, CC, From, Meeting Date, Subject) and Value (Seguin City Council, Steve Parker, Alora Wachholz, August 6, 2024, Qualified Childcare Facility Tax Exemption (S.B. 1145))

Overview

At their July 16, 2024, Regular Meeting, City Council directed Staff to bring back an ordinance for consideration that would allow certain qualified childcare facilities (as defined under S.B. 1145, Article VII, Section 1-r of the Texas Constitution), and located in the City limits of Seguin, to apply for a tax exemption of 100% of assessed value on the City’s portion of assessed tax rate. The drafted Ordinance for such purpose is attached and this meeting constitutes the first of two public readings required before considering action.

Background

As outlined in the Seguin Community Economic Development Strategy (CEDS) under Goal 1, Strategy 2, the City of Seguin is committed to making immediate and measurable impacts in workforce participation through methods that support and promote affordable, qualified local childcare for employees and residents to access.

In the recent legislative session, lawmakers filed Senate Bill 1145 (S.B. 1145) to address the following issues:

- Texas lost nearly a quarter of its childcare providers between March 2020 and September 2021, leading to many regions without sufficient childcare services; and
• This shortage negatively impacts early childhood education, economic growth, and parents’ employment opportunities; and
• The lack of adequate childcare costs the Texas economy over \$9 billion annually; and
• S.B. 1145 aims to alleviate this issue by offering property tax relief to eligible childcare facilities.

S.B. 1145 changed the Texas Tax Code to allow a property tax exemption for certain qualifying childcare facilities. On November 7, 2023, voters approved Proposition 2, amending Article VII of the Texas Constitution, by adding Section 1-r, which reads as follows:

Sec. 1-r. The governing body of a county or municipality may exempt from ad valorem taxation all or part of the appraised value of real property used to operate a childcare facility. The governing body may adopt the exemption as a percentage of the appraised value of the real property. The percentage specified by the governing body may not be less than 50%. The legislature by general law may define “childcare facility” for purposes of this section and may provide additional eligibility requirements for the exemption authorized by this section.

However, this exemption is only available if the local county or city government officially adopts it, following the legal procedures for such decisions. If the Council adopts the exemption, owners of “qualified childcare

facilities” in Seguin are entitled to the exemption and may claim it by submitting an application to the Appraisal District. The City would not have the authority to deny an exemption for a qualifying property after adoption.

”Qualifying Childcare Facility” is defined in S.B. 1145 as a facility whereby:

- *The owner or operator of which participated in the Texas Workforce Commission’s (TWC) Texas Rising Star Program for that facility; and*
- *At which at least 20 percent of the total number of children enrolled at the facility receive subsidized childcare services provided through the childcare services program administered by TWC.*

The exemption applies to:

- Owned and Operated Facilities – The entire or partial value of property that the owner uses to run a qualifying childcare facility.
- Leased Facilities – The part of the property that the owner leases to another person, who then uses it to operate a qualifying childcare facility.

## **Fiscal Impact**

There are currently three (3) childcare facilities in Seguin registered with the Texas Rising Star Program. The total taxable value of these properties is \$1,022,871. This equates to an estimated annual collection of \$5,242.21 in property tax revenue to the City of Seguin.

Current potential annual impact to City property tax collections, as follows:

- 100% abatement: less \$5,242.21

## **Attachments**

1. Ordinance adopting a 100% property tax exemption for qualifying child-care facilities as authorized under Texas Tax Code Section 11.36 and Article VIII, Section 1-R of the Texas Constitution; providing a repealing clause; providing a severability clause; and establishing and effective date

## **Next Steps**

Staff recommends approval of the Ordinance.