



**ECONOMIC  
DEVELOPMENT  
CORPORATION**

MEMORANDUM	
<b>To:</b>	City Council
<b>CC:</b>	Steve Parker, City Manager Donna Dodgen, Mayor
<b>From:</b>	Alora Wachholz Deputy Director, Economic Development
<b>Meeting Date:</b>	July 16, 2024
<b>Subject:</b>	Qualified Childcare Facility Tax Exemption (S.B. 1145)

**Overview**

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:

- 50% abatement: less \$2,621.11
- 75% abatement: less \$3,931.66
- 100% abatement: less \$5,242.21

## **Next Steps**

Council may direct Staff to return at a later meeting with a drafted Ordinance for the City of Seguin, adopting a (50%, 75%, or 100%, at Council's discretion) property tax exemption for qualifying childcare facilities.