



STAFF REPORT

MEETING DATE: February 25, 2025

TITLE:

Consider and act on the first reading of Ordinance No. 2025-18, adopting a local property tax exemption for qualifying child-care facilities, as defined by Texas Tax Code 11.36, and amending Chapter 11 “Taxation” of the Code of Ordinances of the City of Bastrop, Texas by adding Article 11.05 “Child-care Facility Exemption”; move to include on the March 11, 2025, consent agenda for a second reading.

AGENDA ITEM SUBMITTED BY:

Submitted by: Andres Rosales, Assistant City Manager

BACKGROUND/HISTORY:

On November 7, 2023, Texas voters approved an amendment to the Texas Constitution which authorized cities and counties to provide an exemption from ad valorem property taxation of 50 to 100 percent of the appraised value of all or a portion of real property used to operate a qualifying childcare facility. This exemption is in Texas Tax Code Section 11.36, passed during the 88th Texas Legislature regular session.

This proposed ordinance adopts an exemption of fifty percent (50%) of the appraised value of all or a portion of real property used to operate a qualifying childcare facility, starting in the 2025 tax year. Once Council adopts this ordinance, the person claiming the exemption must apply to the applicable appraisal district in which the property is located to receive the childcare facility tax exemption. The law requires the property owner to ensure that the rent charged reflects the tax reduction, which can be passed through a monthly or an annual rent credit.

To qualify, a childcare facility must be licensed by the Health and Human Service Commission, the owner or operator must participate in the Texas Workforce Commission (TWC)’s Texas Rising Star Program, and at least 20 percent (20%) of the total number of children enrolled at the facility must be subsidized by TWC’s childcare services program.

The following cities and counties have passed this same exemption: San Marcos, Kyle, Hays County, San Antonio, Bexar County, McKinney, Fort Worth, Tarrant County, Harris County, Houston, Austin, Denton, El Paso County, and Aransas County.

If approved, city staff would provide information and instructional guidance to childcare providers interested in applying for the exemption by working collaboratively with the Bastrop County Appraisal District. The Texas Comptroller’s Form 50-844 will be the required application to apply for this exemption and must be submitted to the appropriate appraisal district by April 2025 to be eligible for 2025 tax savings.

City Council received an informational presentation on this matter during the FY 2025 budget workshop and during a previous City Manager update.

FISCAL IMPACT:

Home-based and non-profit providers are not eligible for the exemption. The City of Bastrop currently has five (5) eligible child-care facilities that are members of the Texas Workforce Commission Texas Rising Star program. The fiscal impact is already allocated in the FY 2025 budget as adopted.

RECOMMENDATION:

Approve Ordinance 2025-18 amending the Code of Ordinances and advance the item to a second reading at a future City Council meeting.

ATTACHMENTS:

1. Ordinance 2025-18
2. Attachment A – 11.05 Child-care Tax Exemption