



**News Release**  
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## **Churches Seek Relief in Court from Texas City’s Unlawful Attempt to Skirt State Tax Laws**

*First Liberty Institute files lawsuit on behalf of three churches against Magnolia, Texas for charging churches a water-fee higher than that of commercial businesses*

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**Magnolia, TX**—First Liberty Institute and attorneys with the law firm Baker Botts today filed a lawsuit in Montgomery County District Court claiming the city of Magnolia broke the law when city leaders singled out churches and non-profits with excessive water fees. The churches represented in the petition are Magnolia Bible Church, Magnolia’s First Baptist Church, and Believers Fellowship.

You can read the petition [here](#).

“Texas law clearly exempts religious and non-profit organizations from taxation,” said Mike Berry, Chief of Staff for First Liberty. “Magnolia’s water fee scheme hinders these churches from providing many vital services to the community because of the government’s unquenchable thirst for taxpayer money. These churches offer a multitude of services to their communities, and over-charging their water limits the services they can provide the community.”

The City of Magnolia, Texas began charging “institutional” water and wastewater fees for tax-exempt and nonprofit organizations significantly higher than that of commercial businesses in March 2018. Previously, the city had treated churches and businesses equally. In one case, a church’s water bill increased 178% for similar water usage. Defending Magnolia’s new fee structure, City Administrator Paul Mendes said, “Implementing an institutional rate would allow the city to collect funds from these entities *in place of taxes or other fees*.”

The Churches’ petition argues that, “The Institutional Water Rate is a thinly veiled property tax on a tax-exempt entity, and, as such, it is preempted by state law.” They also contend that the new rate violates the Texas Religious Freedom Restoration Act because “it places a real and significant—*i.e.*, substantial—burden on the Churches’ and their members’ free exercise of religion.”

“Magnolia officials in search of new revenue have singled out churches and other non-profits with a rate that dwarfs commercial users in a transparent effort to circumvent the law,” said Aaron Streett, Partner at Baker Botts.

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**About First Liberty Institute**

[First Liberty Institute](#) is the largest legal organization in the nation dedicated exclusively to defending religious freedom for all Americans.

To arrange an interview, contact Lacey McNiel at [media@firstliberty.org](mailto:media@firstliberty.org) or by calling 972-941-4453.