

By: Turner, Martinez Fischer

H.B. No. 4478

Substitute the following for H.B. No. 4478:

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C.S.H.B. No. 4478

A BILL TO BE ENTITLED

AN ACT

relating to the determination of the capitalization rate to be used in the appraisal for ad valorem tax purposes of certain property used for low-income housing.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 11.1825, Tax Code, is amended by amending Subsections (q) and (r) and adding Subsection (r-1) to read as follows:

(q) If property qualifies for an exemption under this section, the chief appraiser shall use the income method of appraisal as described by Section 23.012 to determine the appraised value of the property. The chief appraiser shall use that method regardless of whether the chief appraiser considers that method to be the most appropriate method of appraising the property. In appraising the property, the chief appraiser shall:

(1) consider the restrictions provided by this section on the income of the individuals or families to whom the dwelling units of the housing project may be rented and the amount of rent that may be charged for purposes of computing the actual rental income from the property or projecting future rental income; and

(2) except as provided by Subsection (r-1), use the same capitalization rate that the chief appraiser uses to appraise other rent-restricted properties.

(r) Not later than January 31 of each year, the appraisal

1 district shall give public notice in the manner determined by the  
 2 district, including posting on the district's website if  
 3 applicable, of the capitalization rate to be used in that year to  
 4 appraise property receiving an exemption under this section, other  
 5 than property described by Subsection (r-1). The appraisal  
 6 district shall post on the district's website the capitalization  
 7 rate adopted by the Texas Department of Housing and Community  
 8 Affairs to be used in the applicable year to appraise property  
 9 described by Subsection (r-1) as soon as practicable after the rate  
 10 is submitted to the district.

11 (r-1) Not later than January 31 of each year, the Texas  
 12 Department of Housing and Community Affairs shall adopt the  
 13 capitalization rate that must be used by the chief appraiser of each  
 14 appraisal district in this state to appraise property receiving an  
 15 exemption under this section that also receives financial  
 16 assistance administered under Subchapter DD, Chapter 2306,  
 17 Government Code. The department shall give public notice, in the  
 18 manner determined by the department, of the capitalization rate  
 19 adopted under this subsection and shall post the rate on the  
 20 department's website and submit the rate to the chief appraiser of  
 21 each appraisal district in this state. The department may not give  
 22 public notice of the capitalization rate until the department has  
 23 provided the public a reasonable opportunity to comment on the rate  
 24 adopted by the department and its applicability to the areas of this  
 25 state in which the rate will be used. When determining the  
 26 capitalization rate under this subsection, the department must  
 27 consider data available to the department with regard to income

1 received and expenses incurred by similar rent-restricted  
2 properties.

3       SECTION 2. This Act applies only to an ad valorem tax year  
4 that begins on or after the effective date of this Act.

5       SECTION 3. This Act takes effect January 1, 2026.