

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 4, 2003

TO: Honorable Fred Hill, Chair, House Committee on Local Government Ways and Means

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB1044 by Riddle (Relating to the exemption from ad valorem taxation of certain property used to provide low-income or moderate-income housing.), **Committee Report 1st House, Substituted**

The bill would amend existing sections and add new sections to the Tax Code concerning the property tax exemption of property owned by existing Community Housing Development Organizations (CHDOs) and a proposed "Organizations Constructing or Rehabilitating Low-Income Housing: Property Not Previously Exempt."

The bill would prohibit an organization from receiving an exemption under Section 11.182 after January 1, 2004, unless the organization received a CHDO exemption for the 2003 tax year.

The bill would provide a new exemption for real property owned by an organization that constructed or rehabilitated the property to provide housing for individuals or families meeting proposed eligibility requirements. For an organization to receive an exemption for property owned for the purpose of constructing a housing project, the property would have to be used to provide housing for qualified persons, or the housing project would have to be under active construction or physical preparation. For an organization to receive an exemption for property owned for the purpose of rehabilitating a housing project when bond financing was involved, the original structure would have to be at least 10 years old, the previous owner would have had to have owned the property for at least five years, and the organization would have to provide the chief appraiser with proof that the organization had spent at least \$10,000 rehabilitating each dwelling unit.

Appraisal districts would have to appraise housing projects in the same manner as other rent-restricted properties and publish on the appraisal district website the capitalization rate used and the amount of the exemption for the tax year.

For school districts, the exemption would be 50 percent of appraised value multiplied by fraction representing the amount of square footage reserved for qualified renters compared to total square footage; and for other taxing units, it would be 75 or 65 percent of market value, depending on the percent of reserved dwelling units and the owner's organizational structure.

The bill would require appraisal districts to appraise certain non-exempt property used as low-income or moderate-income housing in the same manner as property subject to the current CHDO exemption or the proposed exemption.

Section 403.302 of the Government Code requires the Comptroller to conduct a property value study to determine the total taxable value for each school district. Total taxable value is an element in the state's school funding formula. To the degree additional property becomes eligible for exemption, passage of this bill would reduce school district taxable values reported to the Commissioner of Education by the Comptroller and increase state costs to the Foundation School Fund.

Local Government Impact

To the degree additional property becomes eligible for exemption, property tax revenues to local taxing units would be reduced.

Source Agencies: 304 Comptroller of Public Accounts, 332 Department of Housing and Community Affairs

LBB Staff: JK, SD, WP, DLBe