

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 16, 2003

TO: Honorable Frank Madla, Chair, Senate Committee on Intergovernmental Relations

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB3546 by Hamric (Relating to the exemption from ad valorem taxation of certain property used to provide low-income or moderate-income housing.), **As Engrossed**

The bill would amend existing sections and add new sections to Chapter 11 of 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 or Extremely Low-Income Housing."

The bill would prohibit an organization from receiving a currently authorized CHDO exemption after January 1, 2004 unless the organization received an exemption in tax year 2003.

The bill would also provide a partial tax exemption to eligible CHDOs constructing or rehabilitating previously nonexempt property for qualified low-income housing. Organizations in counties with a population of at least 1.4 million would have to obtain approval from the governing body to receive an exemption. In addition, the organization must provide to the chief appraiser a written statement prepared by a certified public accountant stating that the organization had spent at least the greater of \$5,000 or the amount required by the financial lender for each dwelling unit. Property qualified for this exemption would be appraised using the income appraisal method, and the capitalization rate used in the appraisal would be the rate that the chief appraiser uses to appraise other rent-restricted properties. The partial tax exemption amounts for school districts would be 50 percent of the appraised property value. For other taxing units the exemption amounts would be 75 percent of the appraised property value if at least 75 percent of the total square footage is reserved for low income individuals or families, otherwise the amount would be 65 percent.

In addition, the bill would require that certain nonexempt property used for low or moderate income housing be appraised using the income appraisal method. The capitalization rate used in the appraisal would be the rate that the chief appraiser uses to appraise other rent-restricted properties.

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, DLBa, SD, WP, DLBe