

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 23, 2003

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

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 extremely low-income housing.), **As Introduced**

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, on or after the effective date of this bill.

The bill would also provide a new property tax exemption. The exemption would apply to property owned by a community-based housing provider, within the provider's geographic service area and held or used for the provision of affordable housing. The exemption would be 75 percent of the appraised value of property used for the provision of affordable housing and would not apply after the first anniversary of acquisition, unless the organization had sold or rented the property to low or extremely low income persons. To qualify for the exemption, an organization would have to submit annually an independent audit of the organization to the Texas Department of Housing and Community Affairs and the appraisal district containing evidence of the organization's compliance with proposed exemption requirements.

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