

BILL ANALYSIS

S.B. 724
By: Lucio
Local Government Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Currently, the appraised value of rent-restricted property is determined using the same capitalization rate that the chief appraiser uses for market rate properties. This discriminates against properties under Section 11.1825 (Organization Constructing or Rehabilitating Low-Income Housing: Property Not Previously Exempt), Tax Code, because the properties are rent restricted and have little marketability and the rent restriction is for a long period of time.

S.B. 724 sets a capitalization rate for appraisal of real property by a chief appraiser unless the appraisal district performs a study based on sales of comparable properties within the appraisal district.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

SECTION 1. Amends Section 23.215, Tax Code, as follows:

Sec. 23.215. APPRAISAL OF CERTAIN NONEXEMPT PROPERTY USED FOR LOW-INCOME OR MODERATE-INCOME HOUSING. (a) Provides that this section applies only to certain real property. Deletes existing text relating to real property owned by an organization. Provides that the real property appraised pursuant to this section must be rented to a low-income or moderate-income individual or family on the date of the appraisal.

(b) Requires the chief appraiser to use the income method of appraisal as provided by Section 23.012 (Income Method of Appraisal) and to apply a capitalization rate as set forth in Subsection (c).

(c) Provides that the capitalization rate to be used in determining the appraised value under this section is at least 13.5 percent unless the appraisal district where the property is appraised performs a study of capitalization rates based on the sales of comparable properties that meet the requirements of Subsection(a)within the boundaries of the appraisal district. If the study determines a capitalization rate other than 13.5 percent, such capitalization rate shall be used. Requires the net operating income capitalized to be inclusive of all property taxes. Deletes existing text relating to appraising property in a certain manner.

(d) Provides that the appraisal district shall give public notice, not later than January 31 of each year, in a manner determined by the district, including posting on the district's website, of the capitalization rate to be used in that year to appraise property that meets the requirements of Subsection (a) if the rate is other than 13.5 percent.

(e) Requires the use of the appraised value determined by this section to be the market value of the property subject to appeal for the purpose of any study under Section 403.302(Determination of School District Property Values), Government Code.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: January 1, 2006.

S.B. 724 79(R)

EFFECTIVE DATE

January 1, 2006.