

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

Revision 1

May 17, 2005

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

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: SB724 by Lucio (Relating to the appraisal for ad valorem tax purposes of certain property used to provide low-income or moderate-income housing.), **As Engrossed**

The bill would amend Section 23.215 of the Tax Code, relating to the appraisal of certain property used to provide low-income or moderate-income housing. For qualified property, the chief appraiser would have to: use the income method of appraisal, and use a capitalization rate of 13.5 percent unless the appraisal district determined a different capitalization rate based on a study of comparable properties.

Since the appraisal district study to determine a different capitalization rate is optional and the rates determined by these studies may be lower or higher than the 13.5 percent capitalization rate established by the bill, it is assumed that appraisers have the flexibility to set appraisals near market value. As a result, there is estimated to be minimal difference in appraisals than what is required under current law. Should capitalization rates as determined by the appraiser be set at a level higher than the market capitalization rate, a value loss compared to current law appraisals would occur.

Local Government Impact

Should capitalization rates be set at a level higher than the market rate, a value loss compared to current law appraisals would occur.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, DLBa, WP, DLBe, SD