

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 22, 2005

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

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

IN RE: SB1411 by Lucio (Relating to eligibility for an exemption from ad valorem taxation for property owned for the purpose of providing low-income or moderate-income housing.), **As Introduced**

Since the bill would exempt from property taxation currently taxable property, taxable property values would be reduced. 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. Passage of this bill would reduce school district taxable values reported to the Commissioner of Education by the Comptroller.

The estimated taxable property value lost for property exempt under all community housing development organization provisions is projected to exceed \$1 billion in fiscal year 2005. Passage of this bill would increase this amount.

The bill would expand the classes of property owners that are entitled to qualify for a property tax exemption as a community housing development organization.

Currently, to qualify for a property tax exemption under Section 11.182 of the Tax Code, an organization must have received an exemption for the subject property for the 2003 tax year. To continue to receive the exemption, an organization must: 1) be organized as a community housing organization; 2) meet the requirements of a charitable organization under Section 11.18 of the Tax Code relating to distribution of profits and distribution of assets upon dissolution; 3) own the property for the purpose of providing housing to low-income and moderate-income individuals or families; and 4) engage exclusively in the building, repair, and sale or rental of low- and moderate-income housing.

The bill would allow an owner to continue to qualify for a property tax exemption as a community housing organization if the owner organized as a limited partnership, or leased the subject property to a limited partnership, provided that the qualifying organization continued to control 100 percent of the general partner interest in the partnership.

The bill would further allow an owner to continue to qualify for an exemption as a community housing development organization if, before January 1, 2004, the owner agreed to make payments in lieu of taxes on the subject property to the exempting taxing unit and continued to use the property for qualifying purposes.

The estimated taxable property value lost for property exempt under all community housing development organization provisions is projected to exceed \$1 billion in fiscal year 2005. Passage of this bill would increase this amount.

Local Government Impact

Since passage of this bill would exempt from property taxation currently taxable property, local units of government would realize a reduction in taxable property values and the related ad valorem tax revenue.

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

LBB Staff: JOB, SD, WP, DLBe