

BILL ANALYSIS

Senate Research Center

S.B. 426
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In 2003, the legislature tightened eligibility requirements for property tax exemptions available to certain charitable organizations involved in the construction and rehabilitation of affordable multi-family housing. Organizations were allowed to keep an exemption for which the organization was already qualified, but the statute passed in 2003 did not preserve this exemption for properties that might change ownership due to foreclosure.

As a result, the subsequent owner of the property may not be able to extend affordable rents for the property due to the loss of favorable tax treatment under the exemption. Additionally, the 2003 law is not considered to be consistent with other state law regarding projects constructed after January 1, 2004, which allows a subsequent purchaser at foreclosure to receive the exemption by qualifying under the terms of the original exemption.

S.B. 426 provides that a property tax exemption granted under Section 11.182 (Community Housing Development Organizations Improving Property for Low-Income and Moderate-Income Housing Property Previously Exempt) does not expire upon a change in ownership when the property has been sold at a foreclosure sale and the purchasing organization shows the chief appraiser proof of its qualification for the exemption within 30 days of the sale.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 11.182, Tax Code, by amending Subsection (j) and adding Subsection (k), as follows:

(j) Prohibits a community housing development organization (organization) from receiving an exemption from taxation for a tax year on real property, or any building or tangible personal property used by the organization for its stated goals (exemption), unless the organization received an exemption on the property in question for any part of the 2003 tax year. Deletes existing text specifying Chapter 1191, Acts of the 77th Legislature, Regular Session, 2001, as a reference to the aforementioned properties to which an exemption is applicable. Deletes existing text specifying the tax year starting on or after January 1, 2004, as the period of time that the prohibition on an organization receiving an exemption begins. Makes conforming and nonsubstantive changes.

(k) Provides that the exemption, notwithstanding Subsection (j) and Sections 11.43 (Application for Exemption) (a) and (c), does not terminate upon change of ownership of the property if the property is sold at a foreclosure sale and the new owner of the property submits to the chief appraiser, no later than the 30th day after the date of the sale, evidence of both the organization's ownership of the property and proof that the organization is a community housing development organization and that it meets certain requirements. Provides, upon submission of required evidence, that the exemption on the property will continue to apply for the remainder of the current tax year and subsequent tax years until the owner ceases to qualify the property for the exemption. Provides that this subsection does not prohibit the chief appraiser from requiring the owner to file a new application to confirm the owner's current qualification for the exemption.

SECTION 2. Effective date: upon passage or September 1, 2007.