BILL ANALYSIS

Senate Research Center

C.S.S.B. 1934
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Intergovernmental Relations
5/16/2007
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Section 11.182(e), Tax Code, was intended to grant an ad valorem tax exemption to a limited partnership that owns a project financed with tax-exempt bonds or tax credits if the limited partnership has a general partner that is owned by a community housing development organization (organization). However, some appraisal districts have taken the position that such a partnership is not entitled to the ad valorem tax exemption if the project is not directly owned by an organization or the project was constructed prior to December 31, 2001. While the appraisal districts that argue such points may be reading Section 11.182(e) out of context of the entire section (Community Housing Development Orgnaizations Improving Property for Low-Income and Moderate-Income Housing: Property Previously Exempt), those districts have prevailed on those points in a few cases. Statutory change may be necessary to clarify the intent of Section 11.182(e).

C.S.S.B. 1934 requires appraisal districts to grant ad valorem tax exemptions to limited partnerships that own projects financed with tax-exempt bonds or tax credits.

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 Sections 11.182(b), (e), and (h), Tax Code, as follows:

(b) Entitles an organization to a exemption from taxation of improved or unimproved real property that the organization owns or controls if the organization meets certain criteria.

(e) Deletes existing text including a housing project constructed after December 31, 2001, as a form of improved real property for which an organization must meet certain additional criteria to receive an exemption under Subsection (b). Deletes existing text including, among the certain additional criteria, a requirement that the organization to control 100 percent of the interest in the general partner if the project is owned by a limited partnership. Makes conforming changes.

(h) Provides that Subsections (d) and (e)(2) (regarding the requirement of a report evidencing the organization spending at least 90 percent of the project's cash flow on certain services, certain projects, or rent reduction), rather than (e)(3), do not apply to property owned by an organization if the entity that provided the financing for the acquisition or construction of the property requires the organization to make payments in lieu or taxes to the school district in which the property is located and restricts the amount of rent that the organization is authorized to charge for dwelling units on the property, or the organization has entered into an agreement with each taxing unit for which the property receives an exemption to spend in each tax year an amount equal to the total amount of taxes imposed on the property in the tax year preceding the year in which the organization acquired the property for the purposes provided by Subsection (d) or (e)(2). Makes a conforming change.

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