

By: Lucio

S.B. No. 1872

A BILL TO BE ENTITLED

AN ACT

relating to the ad valorem taxation of certain property used to provide low-income or moderate-income housing.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 11.1825, Tax Code, is amended by amending Subsections (q) and (r) and adding Subsections (q-1), (q-2), (r-1), and (r-2) to read as follows:

(q) If property qualifies for an exemption under this section, the appraised value of the property is equal to the greater of:

(1) the amount determined using the cost method of appraisal under Section 23.011; or

(2) the amount determined using the income method of appraisal under Section 23.012.

(q-1) In determining the appraised value of property that qualifies for an exemption under this section using the cost method of appraisal, the chief appraiser shall consider only data pertaining to the cost of the land on which a housing project is located and may not consider data pertaining to the cost of any structure located on the land.

(q-2) In determining the appraised value of property that qualifies for an exemption under this section using the income method of appraisal [~~chief appraiser shall use the income method of appraisal as provided by Section 23.012 to determine the appraised~~

1 ~~value of the property. In appraising the property]~~, the chief
2 appraiser shall:

3 (1) consider the restrictions provided by this section
4 on the income of the individuals or families to whom the dwelling
5 units of the housing project may be rented and the amount of rent
6 that may be charged for purposes of computing the actual net
7 operating [~~rental~~] income from the property [~~or projecting future~~
8 ~~rental income~~]; [~~and~~]

9 (2) use the actual net operating income from the
10 property; and

11 (3) use a [~~the same~~] capitalization rate of at least
12 13.5 percent, except as provided by Subsection (r-1) [~~that the~~
13 ~~chief appraiser uses to appraise other rent-restricted~~
14 ~~properties~~].

15 (r) For purposes of this section, "actual net operating
16 income" means the actual income from property less the actual
17 expenses incurred that are specific to the property, including
18 compliance monitoring fees and operating and replacement reserves
19 but not including the taxes imposed on the property [~~Not later than~~
20 ~~January 31 of each year, the appraisal district shall give public~~
21 ~~notice in the manner determined by the district, including posting~~
22 ~~on the district's website if applicable, of the capitalization rate~~
23 ~~to be used in that year to appraise property receiving an exemption~~
24 ~~under this section~~].

25 (r-1) The chief appraiser may conduct a study of sales of
26 comparable properties that are located in the appraisal district to
27 determine the appropriate capitalization rate to use in determining

1 the market value of the property. If as a result of the study the
2 chief appraiser determines that a capitalization rate of less than
3 13.5 percent is more appropriate for that purpose, the chief
4 appraiser shall use that lesser rate.

5 (r-2) Not later than January 31 of each year, the chief
6 appraiser shall give public notice in the manner determined by the
7 appraisal district, including by posting on the district's website
8 if applicable, of the capitalization rate to be used in that year to
9 appraise property under this section if that rate is a rate of less
10 than 13.5 percent.

11 SECTION 2. Section 23.215, Tax Code, is amended to read as
12 follows:

13 Sec. 23.215. APPRAISAL OF CERTAIN NONEXEMPT PROPERTY USED
14 FOR LOW-INCOME OR MODERATE-INCOME HOUSING. (a) This section
15 applies only to:

16 (1) real property that [owned by an organization]:

17 (A) [(1) that on the effective date of this
18 section was rented to a low-income or moderate-income individual or
19 family satisfying the organization's income eligibility
20 requirements and that continues to be used for that purpose,

21 [(2) that] was financed under the low income housing
22 tax credit program under Subchapter DD, Chapter 2306, Government
23 Code;

24 (B) [(3) that] does not receive an exemption
25 under Section 11.182 or 11.1825; and

26 (C) is owned by an organization that [(4) the
27 owner of which] has not entered into an agreement with any taxing

1 unit to make payments to the taxing unit instead of taxes on the
2 property; or

3 (2) real property that meets the following
4 requirements:

5 (A) the property is owned by an organization for
6 the purpose of constructing or rehabilitating a housing project on
7 the property and:

8 (i) renting the housing to individuals or
9 families described by Section 11.1825(f)(1); or

10 (ii) selling single-family dwellings to
11 individuals or families described by Section 11.1825(f)(2);

12 (B) at least 50 percent of the total square
13 footage of the dwelling units in the housing project is reserved for
14 individuals or families described by Section 11.1825(f); and

15 (C) the property does not receive an exemption
16 under Section 11.1825.

17 (b) The chief appraiser shall appraise the property in the
18 manner provided by Sections [~~Section~~] 11.1825(q), (q-1), and (q-2).

19 SECTION 3. (a) This Act applies only to ad valorem taxes
20 imposed for a tax year beginning on or after January 1, 2007.

21 (b) As soon as practicable after this Act takes effect, a
22 chief appraiser shall reappraise property for the 2007 tax year
23 that was appraised before the effective date of this Act if a change
24 in law made by this Act affects the appraised value of the property.

25 SECTION 4. This Act takes effect immediately if it receives
26 a vote of two-thirds of all the members elected to each house, as
27 provided by Section 39, Article III, Texas Constitution. If this

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- 1 Act does not receive the vote necessary for immediate effect, this
- 2 Act takes effect September 1, 2007.