LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 24, 2007

TO: Honorable Jim Keffer, Chair, House Committee on Ways & Means

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

IN RE: **HB3875** by Menendez (Relating to the exemption from ad valorem taxation for certain organizations constructing or rehabilitating low-income housing.), **As Introduced**

The bill would change and add property tax exemption qualification criteria for organizations constructing or rehabilitating low-income housing. Because the fiscal impact on the state would depend on future behavior of taxing units relative the new Bond Review Board-related basis for the exemption, the impact cannot be estimated.

The bill would amend Section 11.1825 of the Tax Code to change and add property tax exemption qualification criteria for organizations constructing or rehabilitating low-income housing.

The bill would allow an entity to qualify for a property tax exemption as an organization constructing or rehabilitating low-income housing if the Bond Review Board approved an allocation of private activity bonds to finance in whole or in part the construction or rehabilitation of the property and the property was located: 1) in a county with a population of less than 75,000, or 2) in an area not located in a standard metropolitan statistical area but having an area median family income, as established by the United States Department of Housing and Urban Development, less than the statewide area median family income.

The bill would provide that an exemption under Section 11.1825 be 50 percent of the appraised value of the property. For an exemption based on Bond Review Board approval of private activity bonds, the exemption would have to be approved by a taxing unit's governing body in the manner provided by law for official action.

Current law provides for a 100 percent exemption for taxing units located in a county with a population of at least 1.4 million, subject to approval of the taxing unit's governing body. The current exemption applies to all other taxing units based on 50 percent of the appraised value of the property. Except for Bond Review Board-approved private activity bond funded organizations, passage of the bill would make the exemption applicable to all taxing units.

The bill would add an additional tract for organizations constructing or rehabilitating low-income housing to qualify, with local taxing unit approval, for a property tax exemption for 50 percent of the appraised value of the organizations property. The bill would remove the local current local option 100 percent exemption for taxing units in counties with a population of at least 1.4 million. Except for the new Bond Review Board-related basis for exemption, the exemption would be mandatory for all taxing units, based on 50 percent of the qualified property's appraised value.

Because the state is constitutionally prohibited from imposing a state property tax, there would be no direct fiscal impact on the state; however, 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 could cause a change in school district taxable values reported to the Commissioner of Education by the Comptroller.

The bill would take effect January 1, 2008.

Local Government Impact

The Comptroller's Property Tax Division cannot predict the future behavior of taxing units relative to the new Bond Review Board-related basis for the exemption. The number of applications and the appraised value of subject property for the exemption in counties with a population over 1.4 million where the exemption would be reduced to 50 percent of appraised value cannot be determined.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, SJS