

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 15, 2007

TO: Honorable David Dewhurst , Lieutenant Governor, Senate
Honorable Tom Craddick, Speaker of the House, House of Representatives

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

IN RE: SB426 by West, Royce (Relating to qualification for an ad valorem tax exemption for property used to provide low-income or moderate-income housing in the event of a change in ownership of the property as a result of a foreclosure sale.), **Conference Committee Report**

Passage of the bill could result in the continuation of a property tax exemption for property owned by a Community Housing Development Organization. As a result, taxable property values could be reduced and the related costs to the Foundation School Fund could be increased.

The bill would amend Section 11.182 of the Tax Code by adding a new subsection to allow the continuation of a property tax exemption for property owned by a Community Housing Development Organization (CHODO), under certain circumstances, and modifies the requirements for an exemption relating to improved real property financed with qualified 501(c)(3) tax-exempt private activity bonds.

A CHODO exemption would not terminate if the new owner acquired exempt property at a foreclosure sale and within 30 days submitted evidence to the chief appraiser that the property continued to be owned by an organization meeting the exemption eligibility requirements for CHODOs.

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.

Current law prohibits an exemption under Section 11.182 of the Tax Code for a tax year beginning on or after January 1, 2004, unless the organization received the exemption for any part of the 2003 tax year. This bill would allow another organization to continue the exemption previously held by an organization that qualified in 2003. Passage of this bill could allow organizations that come to own real property through foreclosure sales an exemption of an undetermined amount of value. The Comptroller's office does not receive or maintain information from units of local government that would be helpful in determining the fiscal impact of this bill.

The bill would take effect immediately upon enactment if it received the requisite two-thirds majority votes in both houses of the Legislature; otherwise, it would take effect September 1, 2007.

Local Government Impact

Since passage of the 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

LBB Staff: JOB, DB, SD, SJS