

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 21, 2009

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

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

IN RE: HB2284 by Rodriguez (Relating to the ad valorem taxation of property owned by certain organizations and used to provide affordable housing.), **As Engrossed**

Because it is unknown whether requiring the income appraisal method to appraise qualified low income housing properties would result in higher or lower appraised values, there could be an indeterminate fiscal impact to the state.

The bill would amend Section 11.1825 of the Tax Code, regarding organizations constructing or rehabilitating low income housing.

The bill would clarify that the exemption provided by this section would apply to both multi-family and single-family dwellings rented to certain individuals.

The bill would also specify that use of the income method of appraisal described in Section 23.012 of the Tax Code is mandatory when this section applies.

Currently, a chief appraiser has the discretion to determine the most appropriate method of appraising a property and may choose between an income, cost, or comparable sales (market data) appraisal method. The most appropriate method would normally be the method for which the most reliable information is available to enable the appraiser to make the most accurate determination of market value.

Under the bill's proposal to remove the chief appraiser's discretion and require the use of only the income appraisal method for qualified low income housing, there could be instances in which sufficient reliable income data is unavailable. This could cause an unreliable or inaccurate appraisal. Insufficient information is available to determine whether this would cause a fiscal impact to the state or to local taxing units.

The bill takes effect January 1, 2010, and only applies to ad valorem taxes imposed for a tax beginning on or after the effective date.

Local Government Impact

Because it is unknown whether requiring the income appraisal method to appraise qualified low income housing properties would result in higher or lower appraised values, there could be an indeterminate fiscal impact to local taxing units.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, SD, SJS