

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 8, 2011

TO: Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

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

IN RE: HB1056 by Villarreal (relating to the ad valorem taxation of property used to provide low-income or moderate-income housing.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1056, Committee Report 1st House, Substituted: a negative impact of (\$1,139,000) through the biennium ending August 31, 2013.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	\$0
2013	(\$1,139,000)
2014	(\$1,339,000)
2015	(\$1,345,000)
2016	(\$1,351,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from <i>Foundation School Fund 193</i>	Probable Revenue Gain/(Loss) from <i>School Districts - Net Impact</i>	Probable Revenue Gain/(Loss) from <i>Counties</i>	Probable Revenue Gain/(Loss) from <i>Cities</i>
2012	\$0	\$0	\$0	\$0
2013	(\$1,139,000)	(\$398,000)	(\$444,000)	(\$660,000)
2014	(\$1,339,000)	(\$213,000)	(\$446,000)	(\$662,000)
2015	(\$1,345,000)	(\$222,000)	(\$448,000)	(\$665,000)
2016	(\$1,351,000)	(\$231,000)	(\$451,000)	(\$667,000)

Fiscal Analysis

The bill would amend Section 11.182 of the Tax Code to extend the Community Housing Development Organization (CHDO) exemption to those organizations who do not qualify, but are 100 percent owned and controlled by an organization that does qualify. The bill would define "owned" as having legal or equitable title. The bill would redefine a CHDO to the federal definition, except that these organizations would not be required to receive HOME program funds, could have boards appointed wholly by state and local governments, and would not have to comply with the federal standards of accountability to qualify.

The bill would take effect January 1, 2012.

Methodology

The bill would allow certain low-income properties with pending lawsuits to become exempt, thus ending the lawsuits. This fiscal analysis assumes that one-half of the lawsuits would have been decided for the taxpayer under current law. The bill would create a fiscal impact to local taxing units and the state by causing the properties involved in the lawsuits that would have been decided against the taxpayer to become exempt.

Projected tax rates were applied to estimate the levy loss to cities and counties, and to estimate the initial school district loss. Because of the operation of the hold harmless provisions of HB 1, 79th Legislature (2006), the school district cost related to the compressed rate is transferred to the state. The enrichment cost and a portion of the school district debt (facilities) cost are transferred to the state after a one-year lag because of the operation of the enrichment and facilities funding formulas. All costs were estimated over the five year projection period.

Local Government Impact

The estimated fiscal implication to units of local government is reflected in the table above.

Source Agencies: 304 Comptroller of Public Accounts

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