

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 11, 2015

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3064** by Coleman (relating to the exemption from ad valorem taxation of certain property used to provide low-income or moderate-income housing.), **Committee Report 1st House, Substituted**

Passage of the bill would specify that in counties with a population at least 4 million (Harris County) the amount of the property tax exemption for certain organizations constructing or rehabilitating low-income housing is 100 percent of the appraised value, if the owner is a federally tax exempt entity under Section 501(c)(3) of the Internal Revenue Code, the owner otherwise qualifies for the exemption for the property, and the property was previously owned by a local government corporation created by a city under Transportation Code Chapter 431 or Local Government Code Chapter 394 for affordable housing purposes in a tax increment financing reinvestment zone created by the city. The bill's requirement of an exemption of certain low-income housing in Harris County would require Harris County taxing units to grant a 100 percent low-income housing exemption at the full appraised value to these properties. As a result, taxable property values would be reduced and the related costs to the Foundation School Fund would be increased through the operation of the school finance formulas.

The bill would amend Chapter 11 of the Tax Code, regarding taxable property and exemptions, to specify that in counties with a population at least 4 million (Harris County) the amount of the property tax exemption for certain organizations constructing or rehabilitating low-income housing is 100 percent of the appraised value, if the owner is a federally tax exempt entity under Section 501(c)(3) of the Internal Revenue Code, the owner otherwise qualifies for the exemption for the property, and the property was previously owned by a local government corporation created by a city under Transportation Code Chapter 431 or Local Government Code Chapter 394 for affordable housing purposes in a tax increment financing reinvestment zone created by the city.

Under current law, the exemption is 50 percent of the property's appraised value unless otherwise provided by the governing body of a taxing unit any part of which is located in a county with a population of at least 1.8 million. Current law also permits taxing units in a county with a population of at least 1.8 million to determine whether or not any exemption of qualifying low-income housing property is granted (Section 11.1825(v) of the Tax Code).

The bill's requirement of an exemption of certain low-income housing in Harris County would require Harris County taxing units to grant a 100 percent low-income housing exemption at the full appraised value to these properties. The bill's provisions apply only to select properties of which the value is unknown; consequently, the fiscal impact to local taxing units in Harris County

and to the state through the operation of the school funding formula cannot be estimated.

The bill would take effect January 1, 2016.

Local Government Impact

Passage of the bill would specify that in counties with a population at least 4 million (Harris County) the amount of the property tax exemption for certain organizations constructing or rehabilitating low-income housing is 100 percent of the appraised value, if the owner is a federally tax exempt entity under Section 501(c)(3) of the Internal Revenue Code, the owner otherwise qualifies for the exemption for the property, and the property was previously owned by a local government corporation created by a city under Transportation Code Chapter 431 or Local Government Code Chapter 394 for affordable housing purposes in a tax increment financing reinvestment zone created by the city.

The bill's requirement of an exemption of certain low-income housing in Harris County would require Harris County taxing units to grant a 100 percent low-income housing exemption at the full appraised value to these properties. The bill's provisions that reduce taxable property values of select properties in Harris County would reduce taxable property values and the related ad valorem tax revenue for local taxing units in Harris County.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS