

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 18, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1548 by Dutton (Relating to the exemption from ad valorem taxation by a school district of certain property used to build low-income or moderate-income housing.), **As Introduced**

Passage of the bill would provide a school district property tax exemption to certain low income housing to be built within a one-mile radius of the center of a school district campus. As a result, taxable property values could be reduced and the related costs to the Foundation School Fund could be increased through the operation of the school finance formulas contingent upon passage of a constitutional amendment authorizing the exemption.

The bill would amend Chapter 11 of the Tax Code, regarding property tax exemptions, to create an exemption from school district property taxes of improved and unimproved real property, any part of which is located within a one-mile radius of the center of a campus of a school district if the property is owned for the purpose of building:

1. in an urban area:
 - a. 25 or more new single-family dwellings to be sold or leased to individuals or families earning not more than 60 percent of the area median income; or
 - b. a new multifamily housing project consisting of 150 or more dwelling units to be rented to individuals or families earning not more than 60 percent of the area median income; or
2. in a rural area:
 - a. 10 or more new single-family dwellings to be sold or leased to individuals or families earning not more than 60 percent of the area median income; or
 - b. a new multifamily housing project consisting of 60 or more dwelling units to be rented to individuals or families earning not more than 60 percent of the area median income.

The property would not be permitted the exemption after the third anniversary of the date the person acquires the property. The bill would specify that the chief appraiser would determine and record the property's market value. The bill would provide a penalty (the taxes that would have been due if the property not been exempted) plus interest if the property owner sells, leases, or rents any part of the property to an individual or family who does not satisfy the applicable eligibility requirements. The person who received the exemption and the new owner would be jointly and severally liable for the penalty and interest. The bill would make other provisions regarding the penalty and interest and would make conforming amendments.

The bill would create a cost to local taxing units and the state through the school finance formulas because it would provide a school district property tax exemption to certain low income housing to be built within a one-mile radius of the center of a school district campus. The value of eligible low income housing that might be built in the future within the specified one-mile radius is

unknown. Consequently, the cost of this bill cannot be estimated.

The bill would take effect on January 1, 2018, contingent on voter approval of a constitutional amendment (HJR 66).

Local Government Impact

Passage of the bill would provide a school district property tax exemption to certain low income housing to be built within a one-mile radius of the center of a school district campus. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be reduced contingent upon passage of a constitutional amendment authorizing the exemption.

Source Agencies: 304 Comptroller of Public Accounts

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