

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

May 2, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3999 by Isaac (Relating to the appraisal for ad valorem tax purposes of certain property used to provide affordable housing.), **As Introduced**

Passage of the bill would prohibit a chief appraiser from taking a portion of the appreciation of certain affordable housing property into account when appraising the property. 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.

The bill would amend Chapter 23 of the Tax Code, regarding property tax appraisal methods and procedures, to provide that for certain real property that was previously owned by a charitable organization meeting specified requirements, a chief appraiser would be:

1. prohibited, when determining the appraised value, from taking into account the portion of the appreciation in value of the property the organization would be entitled to receive if the property were sold on January 1 of the tax year in which the property is appraised; and
2. required to take into account when appraising the property the extent to which any regulations, resale restrictions, or conditions applicable to the property established by the organization reduce the market value of the property.

The bill's appraisal prohibition and requirement would be effective if:

1. the property was sold to a low-income or moderate-income individual or family meeting income eligibility standards established by the organization under regulations or restrictions limiting to a percentage of the individual's or the family's income the amount that the individual or family required to pay for purchasing the property; and
2. the property was sold pursuant to a shared or fixed appreciation affordable housing program established by the organization the regulations of which provide that for a fixed period of time the organization is entitled to a portion of the appreciation in value of the property, if any, on sale of the property.

This bill would create a cost to local taxing units and the state through the school finance formulas by prohibiting a chief appraiser from taking a portion of the appreciation of certain affordable housing property into account when appraising the property. No information is available regarding the number of homes, or the amount of appreciation to which the bill would apply; consequently the cost of the bill cannot be estimated.

The bill would take effect on January 1, 2018.

Local Government Impact

Passage of the bill would prohibit a chief appraiser from taking a portion of the appreciation of certain affordable housing property into account when appraising the property. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be reduced.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS