

## **BILL ANALYSIS**

H.B. 2993  
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Ways & Means  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Affordable housing properties financed under the low-income housing tax credit program are limited as to the amount of rent that can be charged to residents. Concerns have been raised regarding the treatment of affordable housing developments in the appraisal process, with reports of developments being appraised at values exceeding their limited economic capabilities. H.B. 2993 seeks to ensure that affordable housing developments receive appropriate appraisal that is in line with the developments' ability to pay.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

H.B. 2993 amends the Tax Code to set out provisions relating to the appraisal for property tax purposes of real property owned by an organization:

- for the purpose of renting the property to a low-income or moderate-income individual or family satisfying the organization's income eligibility requirements;
- that was financed under the low income housing tax credit program administered by the Texas Department of Housing and Community Affairs (TDHCA) and is subject to a land use restriction agreement under that program that has not expired or been terminated;
- that does not receive certain other related property tax exemptions; and
- the owner of which has not entered into an agreement with any taxing unit to make payments to the taxing unit instead of taxes on the property.

H.B. 2993 requires a chief appraiser, in appraising an applicable property under construction or that has not reached stabilized occupancy on January 1 of the tax year in which the property is appraised, to determine the property's appraised value using the income method of appraisal used for qualifying organizations that are constructing or rehabilitating low-income housing but requires the appraiser to estimate the property's gross income potential and operating expenses based on the property's projected income and expenses for the first full year of operation as established and utilized in the underwriting report pertaining to the property prepared by the TDHCA, adjusted appropriately. The bill establishes methods by which the income and expenses contained in the underwriting report are to be adjusted for a property under construction on January 1 and for a property on which construction was completed but that has not reached

stabilized occupancy on January 1, respectively.

H.B. 2993 provides for the manner in which a property is appraised for the first tax year following the year in which construction on the property was completed and occupancy of the property had stabilized and for the second and all subsequent tax years, which involves a calculation including a change in the property's net income year over year. The bill prescribes the methods by which the chief appraiser is to determine the percentage change in the net income and sets out related provisions.

H.B. 2993 adds a temporary provision set to expire January 1, 2021, providing for the consideration of property for which construction was completed on January 1, 2019, for the 2020 tax year.

H.B. 2993 makes a property eligible for special appraisal under the bill's provisions that is sold and no longer subject to an applicable land use restriction agreement ineligible for further appraisal under the bill's provisions and provides for the imposition of a rollback tax on the property and the attachment of a tax lien. The bill provides for the manner in which the determination about a property's eligibility is made and for the manner by which a property owner may protest that determination, subject to certain limitations. The bill requires notice provided to a property owner regarding the appraiser's determination of a property's eligibility to be sent by certified mail.

H.B. 2993 prohibits a property appraised under the bill's provisions from being used as a comparable property for the purpose of determining whether another property that is not appraised under the bill's provisions is unequally appraised.

**EFFECTIVE DATE**

January 1, 2020.