

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**April 16, 2019**

**TO:** Honorable Dustin Burrows, Chair, House Committee on Ways & Means

**FROM:** John McGeady, Assistant Director    Sarah Keyton, Assistant Director  
Legislative Budget Board

**IN RE: HB1841** by Thompson, Senfronia (Relating to the appraisal for ad valorem tax purposes of a housing unit that the owner or a predecessor of the owner acquired from a community land trust.), **As Introduced**

**No significant fiscal implication to the State is anticipated.**

The bill would amend Chapter 23 of the Tax Code, regarding property tax appraisal methods and procedures related to affordable housing. The bill would require that if a sale of certain community land trust housing units is subject to an eligible land use restriction, the chief appraiser may not appraise the housing unit for an amount that exceeds the price for which the housing unit may be sold under the eligible land use restrictions.

"Eligible land use restriction" means an agreement or restrictive covenant applicable to a housing unit that:

- is recorded in the real property records;
- has a term of at least 40 years;
- restricts the price for which the housing unit may be sold to a price that is or may be less than the market value of the housing unit; and
- restricts the sale of the housing unit to a family meeting the specified income-eligibility standards.

Section 1.04 of the Tax Code defines "market value" as "the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- exposed for sale in the open market with a reasonable time for the seller to find a purchaser;
  - *both the seller and the purchaser know of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on its use;*
- and
- both the seller and purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other." (Emphasis added).

The italicized portion of the current definition of market value requires that chief appraisers take into account the land use restrictions that the bill would require chief appraisers to take into account. Both provisions, if followed, prevent a chief appraiser from exceeding the price for which the property would sell as restricted. The bill would reduce values on certain community land trust housing units only to the extent that chief appraisers are not following current law and this situation is unlikely to be prevalent. Consequently the cost of the bill is not expected to be significant.

The bill would take effect September 1, 2019.

**Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** WP, KK, SD, SJS