

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

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

**April 23, 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: HB3844** by Smithee (Relating to the period for which certain property acquired by a charitable organization to provide low-income housing may be exempted from ad valorem taxation.), **As Introduced**

**Passage of the bill would extend the date after which certain low-income housing properties owned by qualified charitable organizations are prohibited from receiving a property tax exemption. 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 11 of the Tax Code, regarding taxable property and exemptions, to extend the date after which certain low-income housing properties owned by qualified charitable organizations are prohibited from receiving a property tax exemption from the fifth to the tenth anniversary of the date the transferring organization acquired the property.

The five-year extension of the date after which certain low-income housing properties owned by qualified charitable organizations are prohibited from receiving a property tax exemption would create a cost to local taxing units and to the state through the school funding formulas. The preliminary 2018 total value loss of the current exemption for school districts was \$92.2 million. The total amount of land that will be held longer than the currently allowed five-year period to take advantage of the extended exemption period proposed by the bill is unknown; consequently, the cost of the bill cannot be estimated.

The bill would take effect immediately upon enactment, assuming it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2019.

**Local Government Impact**

Passage of the bill would extend the date after which certain low-income housing properties owned by qualified charitable organizations are prohibited from receiving a property tax exemption. 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:** WP, KK, SD, SJS