LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

April 22, 2021

TO: Honorable Morgan Meyer, Chair, House Committee on Ways & Means

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB3439** by Deshotel (relating to the appraisal for ad valorem tax purposes of certain nonexempt property used for low-income or moderate-income housing.), **Committee Report 1st House, Substituted**

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, to revise the conditions under which the provisions regarding appraisal of certain non-exempt real property used for low-income or moderate-income housing would apply. The bill would:

1) strike the requirement that the low-income housing be rented to a low-income or moderate income individual or family satisfying certain low-income housing organizations' income eligibility requirements on the effective date of Section 23.215 of the Tax Code and instead require that the property be held for the purpose of renting the property to such an individual or family; and
2) add a requirement that the low-income housing be subject to a land use restriction agreement under a specified low-income housing tax credit program that has not expired or been terminated.

A chief appraiser would be required to appraise specified low-income housing property that is under construction or that has not reached stabilized occupancy on January 1 of the tax year in which the property is appraised by using a specified income method including:
1) using the property's projected income and expenses for the first full year of operation established and utilized in a specified underwriting report;
2) adjusting, as specified, the gross income potential and operating costs for the percentage completed on January 1; and
3) for completed properties that have not reached stabilized occupancy on January 1, adjusting the income and expenses in the underwriting report for actual occupancy.

In appraising the property for the first tax year following the completion of construction and stabilized occupancy, the chief appraiser would be required to determine the appraised value of the property by an income method specified in current law for certain low-income housing.

The bill's provision striking the requirement that the low-income housing be rented to a low-income or moderate income individual or family satisfying certain low-income housing organizations' income eligibility requirements on the effective date of Section 23.215 of the Tax Code and instead requiring that the property be held for the purpose of renting the property to such an individual or family, would expand the special appraisal method proposed by the bill to additional low-income or moderate-income housing. The amount and value of property that would be appraised under these provision's is unknown, but not expected to be significant.

The bill would take effect January 1, 2022.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD, BRI