

BILL ANALYSIS

Senate Research Center
88R2658 RDS-D

H.B. 581
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Local Government
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Before 2018 NeighborWorks Laredo (NWL), a nonprofit that provides a wide variety of housing-related services to low-income and moderate-income persons, received a 100 percent property tax exemption for all of its properties used to provide affordable housing. In 2018, however, the Webb County Appraisal District (Webb CAD) denied NWL's application for a 100 percent property tax exemption for its residences rented to low-income persons. The Webb CAD asserted that because of a 2003 amendment to the Tax Code, NWL was entitled to only a 50 percent property tax exemption for its rental properties, not a 100 percent exemption.

The result of the Webb CAD not granting it in 2018 has been an annual property tax increase of \$40,000. This has placed a substantial burden on the organization. It led, for example, to the organization halting the construction of a 40-unit apartment complex that would have provided affordable housing to 20 veterans. It is important to note that 30 thirty percent of NWL's tenants use Section 8 housing waivers, and there is a growing homeless population in Laredo.

H.B. 581 would allow nonprofit housing providers in Laredo that provide services as a United States Department of Housing and Urban Development-approved housing counseling agency and rental housing to low-income and moderate-income households at below-market rates to be listed among the charitable organizations that currently qualify for 100 percent property tax exemption. This change would allow NWL to dedicate more of its funds toward addressing the affordable housing needs of low-income and moderate-income Laredoans.

H.B. 581 amends current law relating to an exemption from ad valorem taxation of real property owned by a charitable organization for the purpose of renting the property at below-market rates to low-income and moderate-income households.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 11.18, Tax Code, by amending Subsection (d) and adding Subsection (r), as follows:

(d) Requires a charitable organization to be organized exclusively to perform religious, charitable, scientific, literary, or educational purposes and, except as permitted by certain subsections, engage exclusively in performing one or more of the following charitable functions:

(1) makes no changes to this subdivision;

(2) providing support or relief to certain persons, including children with disabilities, rather than handicapped children, in need of residential care;

(3) providing support without regard to the beneficiaries' ability to pay to certain persons, including to persons with disabilities, rather than to the handicapped, including certain training and employment;

(4)-(17) makes no changes to these subdivisions;

(18) makes a conforming change to this subdivision;

(19)-(23) makes no change to these subdivisions;

(24)-(25) makes nonsubstantive changes to these subdivisions; or

(26) providing:

(A) services as a HUD-approved housing counseling agency, as defined by 24 C.F.R. Section 214.3, without regard to the beneficiaries' ability to pay; and

(B) rental housing to low-income and moderate-income households at below-market rates.

(r) Provides that the exemption authorized by Subsection (d)(26) applies only to property that is:

(1) used to provide rental housing to low-income and moderate-income households at below-market rates; and

(2) located in a municipality with a population of 200,000 or more that is located in a county on the Texas-Mexico border that has a population of less than 300,000.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: January 1, 2024.