

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 16, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4645 by Flores (Relating to the exemption from ad valorem taxation of certain property used to provide low-income or moderate-income housing.), **As Introduced**

Passage of the bill would increase the number of properties receiving the property tax exemption for organizations constructing or rehabilitating low-income housing. 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, relating to Taxable Property and Exemptions, to allow qualifying charitable organizations that lease land under a ground lease to obtain an exemption from property tax on improvements owned by the organization that it constructs or rehabilitates to provide low-income or moderate-income housing for individuals or families who meet the income requirements.

The bill states that an organization that leases land as described is considered to be the owner of that land for the specific purpose of receiving this tax exemption.

The increase in the number of eligible organizations would likely result in a reduction in appraised property value and a cost to the state through the school funding formulas. The number of potentially qualifying organizations are unknown. As a result, the fiscal impact cannot be determined.

Local Government Impact

Passage of the bill would increase the number of properties receiving the property tax exemption for organizations constructing or rehabilitating low-income housing. As a result, taxable property values could be reduced. However, the no-new-revenue and voter-approval tax rates as provided by Section 26.04, Tax Code could be higher as a consequence of the reduction in taxable property value proposed by the bill.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD, BRI