

BILL ANALYSIS

C.S.H.B. 4478
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Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The bill author has informed the committee that properties financed under the low income housing tax credit program are taxed differently from conventional market rate property and that the capitalization rates used in the calculation of the assessed and market values are important, since those rates are often the sole factor driving a property's valuation change. The bill author has further informed the committee that appraisal districts have developed inconsistent methods for developing capitalization rates and that, once published, affordable housing property owners are too often forced to commit significant amounts of resources on protests and litigation with appraisal districts that result from these inconsistencies. C.S.H.B. 4478 seeks to address the inconsistency of the methods used to establish capitalization rates for low income housing tax credit program-financed housing properties by charging the Texas Department of Housing and Community Affairs with establishing a uniform method.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 4478 amends the Tax Code to require, not later than January 31 of each year, the Texas Department of Housing and Community Affairs (TDHCA) to adopt the capitalization rate that must be used by the chief appraiser of each appraisal district in Texas to appraise property receiving a property tax exemption for use as low-income housing that also receives financial assistance administered under the low income housing tax credit program. The bill requires TDHCA, in relation to the capitalization rate, to do the following:

- give public notice, in the manner determined by TDHCA, of the rate;
- post the rate on TDHCA's website;
- submit the rate to the chief appraiser of each appraisal district in Texas; and
- when determining the rate, consider data available to TDHCA with regard to income received and expenses incurred by similar rent-restricted properties.

The bill prohibits TDHCA from giving public notice of the capitalization rate until TDHCA has provided the public a reasonable opportunity to comment on the rate and its applicability to the areas of Texas in which the rate will be used.

C.S.H.B. 4478 requires an appraisal district to post on the district's website the capitalization rate adopted by TDHCA under the bill's provisions to be used in the applicable year to appraise property receiving a property tax exemption for use as low-income housing that also receives

financial assistance administered under the low income housing tax credit program as soon as practicable after the rate is submitted to the district.

C.S.H.B. 4478 applies only to a property tax year that begins on or after the bill's effective date.

EFFECTIVE DATE

January 1, 2026.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 4478 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute includes the following provisions absent from the introduced:

- a provision that requires TDHCA to adopt the capitalization rate that must be used by the applicable chief appraisers to appraise property receiving a property tax exemption for use as low-income housing that also receives financial assistance administered under the low income housing tax credit program;
- provisions relating to public notice of the capitalization rate; and
- a provision that requires TDHCA to consider certain data relating to similar rent-restricted properties when determining the rate.

Whereas the introduced required an appraisal district to post on the district's website, if it maintains one, the methodology used by the district to develop the capitalization rate to be used in the district for that tax year for purposes of appraising property receiving the exemption for use as low-income housing, the substitute requires instead the appraisal district to post the capitalization rate adopted by TDHCA to be used in the applicable year to appraise the property receiving that exemption that also receives financial assistance under the low income housing tax credit program as soon as practicable after the rate is submitted to the district.

The introduced prohibited the appraisal district from giving notice of the capitalization rate to be used in that year to appraise property receiving an exemption until the district has posted the methodology and provided the public a reasonable opportunity to comment on the methodology's applicability for the territory in which the rate will be used, whereas the substitute prohibits TDHCA from giving public notice of the capitalization rate until TDHCA has provided the public a reasonable opportunity to comment on the rate and its applicability to the areas of Texas in which the rate will be used.

The substitute omits a provision from the introduced that prohibited the methodology used by the appraisal district to develop the capitalization rate from being based solely on a percentage increase or decrease from the prior tax year's capitalization rate and required the methodology to include viable economic metrics for the corresponding market where the rate will be applied.