BILL ANALYSIS

Senate Research Center
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C.S.H.B. 3133
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, Habitat for Humanity affiliates receive a property tax exemption on land they have acquired and are using to build affordable housing for low-income individuals and families. The exemption for each property is valid for five years, after which period the property is placed back on a taxing unit's tax roll.

Some Habitat for Humanity affiliates have created community development housing organizations (CHDO) to take advantage of certain federal funds. Such organizations are eligible for a separate three-year property tax exemption created specifically for them. However, a recent transfer of previously tax-exempt property involving a CHDO resulted in the CHDO losing its CHDO exemption and owing back taxes on the property based on an appraisal district's interpretation of the applicable statutes.

C.S.H.B. 3133 seeks to clarify the issue of property tax exemptions when real property is transferred from one tax-exempt organization to another.

C.S.H.B. 3133 amends current law relating to the appraisal for ad valorem tax purposes of property on which housing is being or has been built or repaired for sale or rent to a low-income individual or family.

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 11.181(b), Tax Code, to prohibit property that received an exemption under Section 11.1825 and that was subsequently transferred by the organization described by that section that qualified for the exemption to an organization described by this section from being exempted under Subsection (a) (relating to certain organizations that are entitled to an exemption from taxation) after the fifth anniversary of the date the transferring organization acquired the property.

SECTION 2. Amends Section 11.1825, Tax Code, by amending Subsections (f) and (q) and adding Subsection (p-1), as follows:

> (f) Requires the organization, for property to be exempt under this section, to own the property for the purpose of constructing or rehabilitating a housing project on the property and:
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>> (1) renting the housing, regardless of whether the housing project consists of multifamily or single-family dwellings, to individuals or families whose median income is not more than 60 percent of the greater of:
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>>> (A) the area median family income for the household's place of residence, as adjusted for family size and as established by the United States Department of Housing and Urban Development; or

(B) the statewide area median family income, as adjusted for family size and as established by the United States Department of Housing and Urban Development; or

(2) Makes no changes to this subdivision.

(p-1) Provides that, notwithstanding the other provisions of this section, the transfer of property from an organization described by this section to a nonprofit organization that claims an exemption for the property under Section 11.181(a) is a proper use of and purpose for owning the property under this section and does not affect the eligibility of the property for an exemption under this section.

(q) Requires the chief appraiser, if property qualifies for an exemption under this section, to use the income method of appraisal as described, rather than as provided, by Section 23.012 (Income Method of Appraisal) to determine the appraised value of the property. Requires the chief appraiser to use that method regardless of whether the chief appraiser considers that method to be the most appropriate method of appraising the property.

SECTION 3. Amends Section 23.21, Tax Code, by adding Subsection (c) to require the chief appraiser, in appraising real property that was previously owned by an organization that received an exemption for the property under Section 11.181(a) and that was sold to a low-income individual or family meeting income eligibility standards established by the organization under regulations or restrictions limiting to a percentage of the individual's or the family's income the amount that the individual or family was required to pay for purchasing the property, to take into account the extent to which that use and limitation and any resale restrictions or conditions applicable to the property established by the organization reduce the market value of the property.

SECTION 4. (a) Provides that the changes in law made by this Act to Sections 11.181 (Charitable Organizations Improving Property for Low-Income Housing) and 11.1825 (Organizations Constructing or Rehabilitating Low-Income Housing: Property Not Previously Exempt), Tax Code, apply to the taxation of real property beginning with the 2011 tax year.

(b) Makes application of the change in law made by this Act to Section 23.21 (Property Used to Provide Affordable Housing), Tax Code, prospective.

SECTION 5. Effective date: upon passage or September 1, 2011.