

By: Bailey

H.B. No. 2744

Substitute the following for H.B. No. 2744:

By: Otto

C.S.H.B. No. 2744

A BILL TO BE ENTITLED

AN ACT

relating to the ad valorem taxation of certain property used to provide low-income or moderate-income housing.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 11.1825, Tax Code, is amended by amending Subsections (q) and (r) and adding Subsections (q-1), (q-2), (r-1), (r-2), and (r-3) to read as follows:

(q) If property qualifies for an exemption under this section, the appraised value of the property is equal to the greater of:

(1) the amount determined using the cost method of appraisal under Section 23.011; or

(2) the amount determined using the income method of appraisal under Section 23.012.

(q-1) In determining the appraised value of property that qualifies for an exemption under this section using the cost method of appraisal, the chief appraiser shall consider only data pertaining to the cost of the land on which a housing project is located and may not consider data pertaining to the cost of any structure located on the land.

(q-2) In determining the appraised value of property that qualifies for an exemption under this section using the income method of appraisal [~~chief appraiser shall use the income method of appraisal as provided by Section 23.012 to determine the appraised~~

1 ~~value of the property. In appraising the property],~~ the chief
2 appraiser shall:

3 (1) consider the restrictions provided by this section
4 on the income of the individuals or families to whom the dwelling
5 units of the housing project may be rented and the amount of rent
6 that may be charged for purposes of computing the actual net
7 operating [~~rental~~] income from the property [~~or projecting future~~
8 ~~rental income~~]; [~~and~~]

9 (2) use the actual net operating income from the
10 property; and

11 (3) use a [~~the same~~] capitalization rate of 13.5
12 percent, except as provided by Subsection (r-1) [~~that the chief~~
13 ~~appraiser uses to appraise other rent-restricted properties~~].

14 (r) The chief appraiser shall compute the actual net
15 operating income from property for purposes of this section in
16 accordance with generally accepted accounting principles [~~Not~~
17 ~~later than January 31 of each year, the appraisal district shall~~
18 ~~give public notice in the manner determined by the district,~~
19 ~~including posting on the district's website if applicable, of the~~
20 ~~capitalization rate to be used in that year to appraise property~~
21 ~~receiving an exemption under this section~~].

22 (r-1) The chief appraiser may conduct a study of sales of
23 comparable properties that are located in the appraisal district to
24 determine the appropriate capitalization rate to use in determining
25 the market value of the property. If as a result of the study the
26 chief appraiser determines that a capitalization rate other than
27 13.5 percent is more appropriate for that purpose, the chief

1 appraiser shall use that rate.

2 (r-2) Not later than January 31 of each year, the chief
3 appraiser shall give public notice in the manner determined by the
4 appraisal district, including by posting on the district's website
5 if applicable, of the capitalization rate to be used in that year to
6 appraise property under this section if that rate is a rate other
7 than 13.5 percent.

8 (r-3) In connection with an annual study conducted under
9 Section 403.302, Government Code, the value of a property that
10 qualifies for an exemption under this section and that is selected
11 for appraisal must be determined in the manner required by this
12 section.

13 SECTION 2. (a) This Act applies only to ad valorem taxes
14 imposed for a tax year beginning on or after January 1, 2007.

15 (b) As soon as practicable after this Act takes effect, a
16 chief appraiser shall reappraise property for the 2007 tax year
17 that was appraised before the effective date of this Act if a change
18 in law made by this Act affects the appraised value of the property.

19 SECTION 3. This Act takes effect immediately if it receives
20 a vote of two-thirds of all the members elected to each house, as
21 provided by Section 39, Article III, Texas Constitution. If this
22 Act does not receive the vote necessary for immediate effect, this
23 Act takes effect September 1, 2007.