

1-1 By: West S.B. No. 113  
 1-2 (In the Senate - Filed November 9, 2020; March 3, 2021, read  
 1-3 first time and referred to Committee on Local Government;  
 1-4 May 11, 2021, reported favorably by the following vote: Yeas 9,  
 1-5 Nays 0; May 11, 2021, sent to printer.)

1-6 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-7				
1-8	X			
1-9	X			
1-10	X			
1-11	X			
1-12	X			
1-13	X			
1-14	X			
1-15	X			
1-16	X			

1-17 A BILL TO BE ENTITLED  
 1-18 AN ACT

1-19 relating to community land trusts.  
 1-20 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:  
 1-21 SECTION 1. Section 373B.003, Local Government Code, is  
 1-22 amended to read as follows:  
 1-23 Sec. 373B.003. NATURE OF TRUST. A community land trust  
 1-24 created or designated under Section 373B.002 must be a nonprofit  
 1-25 organization that is:  
 1-26 (1) created to acquire and hold land for the benefit of  
 1-27 developing and preserving long-term affordable housing in the  
 1-28 municipality or county; and  
 1-29 (2) organized as:  
 1-30 (A) a nonprofit corporation that is exempt from  
 1-31 federal income taxation under Section 501(a), Internal Revenue Code  
 1-32 of 1986, by being listed [~~certified~~] as an exempt organization  
 1-33 under Section 501(c)(3) of that code;  
 1-34 (B) a limited partnership of which a nonprofit  
 1-35 corporation described by Paragraph (A) controls 100 percent of the  
 1-36 general partner interest; or  
 1-37 (C) a limited liability company for which a  
 1-38 nonprofit corporation described by Paragraph (A) serves as the only  
 1-39 member.  
 1-40 SECTION 2. Section 23.21, Tax Code, is amended by amending  
 1-41 Subsections (c) and (d) and adding Subsection (c-1) to read as  
 1-42 follows:  
 1-43 (c) In appraising land [~~or a housing unit~~] that is leased by  
 1-44 a community land trust created or designated under Section  
 1-45 373B.002, Local Government Code, to a family meeting the  
 1-46 income-eligibility standards established by Section 373B.006 of  
 1-47 that code under regulations or restrictions limiting the amount  
 1-48 that the family may be required to pay for the rental or lease of the  
 1-49 property, the chief appraiser shall use the income method of  
 1-50 appraisal as described by Section 23.012 to determine the appraised  
 1-51 value of the property. The chief appraiser shall use that method  
 1-52 regardless of whether the chief appraiser considers that method to  
 1-53 be the most appropriate method of appraising the property. In  
 1-54 appraising the property, the chief appraiser shall:  
 1-55 (1) take into account the uses and limitations  
 1-56 applicable to the property, including the terms of the lease  
 1-57 applicable to the property, for purposes of computing the actual  
 1-58 rental income from the property and projecting future rental  
 1-59 income; and  
 1-60 (2) use the same capitalization rate that the chief  
 1-61 appraiser uses to appraise other rent-restricted properties

2-1 [~~extent to which that use and limitation reduce the market value of~~  
2-2 ~~the property~~].

2-3 (c-1) In appraising a housing unit that is leased by a  
2-4 community land trust created or designated under Section 373B.002,  
2-5 Local Government Code, to a family meeting the income-eligibility  
2-6 standards established by Section 373B.006 of that code under  
2-7 regulations or restrictions limiting the amount that the family may  
2-8 be required to pay for the rental or lease of the property, the  
2-9 chief appraiser shall use the income method of appraisal as  
2-10 described by Section 23.012 to determine the appraised value of the  
2-11 property. The chief appraiser shall use that method regardless of  
2-12 whether the chief appraiser considers that method to be the most  
2-13 appropriate method of appraising the property. In appraising the  
2-14 property, the chief appraiser shall:

2-15 (1) take into account the uses and limitations  
2-16 applicable to the property, including the terms of the lease  
2-17 applicable to the property, for purposes of computing the actual  
2-18 rental income from the property and projecting future rental  
2-19 income; and

2-20 (2) use the same capitalization rate that the chief  
2-21 appraiser uses to appraise other rent-restricted properties.

2-22 (d) In appraising a housing unit that the owner or a  
2-23 predecessor of the owner acquired from a community land trust  
2-24 created or designated under Section 373B.002, Local Government  
2-25 Code, and that is located on land owned by the trust and leased by  
2-26 the owner of the housing unit, the chief appraiser shall take into  
2-27 account the extent to which any regulations or restrictions  
2-28 limiting the right of the owner of the housing unit to sell the  
2-29 housing unit, including any limitation on the price for which the  
2-30 housing unit may be sold, reduce the market value of the housing  
2-31 unit. If the sale of the housing unit is subject to an eligible land  
2-32 use restriction, the chief appraiser may not appraise the housing  
2-33 unit in a tax year for an amount that exceeds the price for which the  
2-34 housing unit may be sold under the eligible land use restriction in  
2-35 that tax year. For purposes of this subsection, "eligible land use  
2-36 restriction" means an agreement, deed restriction, or restrictive  
2-37 covenant applicable to the housing unit that:

2-38 (1) is recorded in the real property records;

2-39 (2) has a term of at least 40 years;

2-40 (3) restricts the price for which the housing unit may  
2-41 be sold to a price that is equal to or less than the market value of  
2-42 the housing unit; and

2-43 (4) restricts the sale of the housing unit to a family  
2-44 meeting the income-eligibility standards established by Section  
2-45 373B.006, Local Government Code.

2-46 SECTION 3. Section 26.10, Tax Code, is amended by amending  
2-47 Subsection (a) and adding Subsection (d) to read as follows:

2-48 (a) If the appraisal roll shows that a property is eligible  
2-49 for taxation for only part of a year because an exemption, other  
2-50 than a residence homestead exemption or an exemption described by  
2-51 Subsection (d), applicable on January 1 of that year terminated  
2-52 during the year, the tax due against the property is calculated by  
2-53 multiplying the tax due for the entire year as determined as  
2-54 provided by Section 26.09 [~~of this code~~] by a fraction, the  
2-55 denominator of which is 365 and the numerator of which is the number  
2-56 of days the exemption is not applicable.

2-57 (d) Subsection (a) does not apply to an exemption for land  
2-58 received by an organization under Section 11.181, 11.182, or  
2-59 11.1825 that terminated during the year because of the sale by the  
2-60 organization of a housing unit located on the land if:

2-61 (1) the housing unit is sold to a family meeting the  
2-62 income-eligibility standards established by Section 373B.006,  
2-63 Local Government Code;

2-64 (2) the organization retains title to the land on  
2-65 which the housing unit is located; and

2-66 (3) before the date on which the housing unit is sold,  
2-67 the organization is designated a community land trust by the  
2-68 governing body of a municipality or county as provided by Section  
2-69 373B.002, Local Government Code.

3-1 SECTION 4. This Act applies only to ad valorem taxes imposed  
3-2 for a tax year that begins on or after the effective date of this  
3-3 Act.

3-4 SECTION 5. This Act takes effect September 1, 2021.

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