

BILL ANALYSIS

Senate Research Center

S.B. 724
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Intergovernmental Relations
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As Filed

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

Currently, the appraised value of rent-restricted property is determined using the same capitalization rate that the chief appraiser uses for market rate properties. This discriminates against properties under Section 11.1825 (Organization Constructing or Rehabilitating Low-Income Housing: Property Not Previously Exempt), Tax Code, because the properties are rent restricted and have little marketability and the rent restriction is for a long period of time.

As proposed, S.B. 724 sets a defined capitalization rate for appraisal of property receiving an exemption under Section 11.1825, Tax Code. It also repeals Subsection (r), Section 11.1825, Tax Code, due to the new definition.

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 Subsection (q), Section 11.1825, Tax Code, to require the chief appraiser, in appraising the property, to use 13.5 percent as the capitalization rate for the property. Deletes existing text related to the chief appraiser appraising other rent restricted properties.

SECTION 2. Repealer: Section 11.1825(r) (regarding appraisal district notification of annual capitalization rate), Tax Code.

SECTION 3. Makes application of this Act prospective.

SECTION 4. Effective date: January 1, 2006.