

## **BILL ANALYSIS**

Senate Research Center

C.S.S.B. 724  
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Intergovernmental Relations  
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Committee Report (Substituted)

### **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.

C.S.S.B. 724 sets a capitalization rate for appraisal of real property for a chief appraiser.

### **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 23.215, Tax Code, as follows:

Sec. 23.215. APPRAISAL OF CERTAIN NONEXEMPT PROPERTY USED FOR LOW-INCOME OR MODERATE-INCOME HOUSING. (a) Provides that this section applies only to certain real property. Deletes existing text relating to real property owned by an organization.

(b) Requires the chief appraiser to use the income method appraisal as provided by Section 23.012 (Income Method of Appraisal) and to apply a capitalization rate as set forth in Subsection (c).

(c) Provides that the capitalization rate to be used in determining the appraised value under this section is computed by adding eight percentage points to the prime rate as published in The Wall Street Journal on the first day of each calendar year that is not a Saturday, Sunday, or legal holiday. Requires the net operating income capitalized to be inclusive of all property taxes. Deletes existing text relating to appraising property in a certain manner.

(d) Requires the use of the appraised value determined by this section to be the market value of the property subject to appeal for the purpose of any study under Section 403.302 (Determination of School District Property Values), Government Code.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: January 1, 2006.