

# DEPARTMENT OF TAXATION

## 2011 Fiscal Impact Statement

1. **Patron** John C. Watkins

2. **Bill Number** SB 784

**House of Origin:**

☐ **Introduced**

☐ **Substitute**

☐ **Engrossed**

3. **Committee** House Finance

4. **Title** Real Property Tax; Assessments of  
Affordable Housing

**Second House:**

☒ **In Committee**

☐ **Substitute**

☐ **Enrolled**

### 5. **Summary/Purpose:**

This bill would clarify the current law requirement that a real estate assessor may require an owner of real property with four or fewer residential units that is operated in whole or in part as affordable rental housing to furnish the assessor with a statement of the income and expenses attributable to the property.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No.

7. **No Fiscal Impact**

8. **Fiscal implications:**

This bill would have no impact on state revenues. As this bill is a clarification of current law, it should have no impact on local revenues.

9. **Specific agency or political subdivisions affected:**

All localities

10. **Technical amendment necessary:** No.

11. **Other comments:**

#### Generally

Under current law, owners of real property operated in whole or in part as affordable housing may apply to the locality in which the property is located to have the real property assessed under special rules for affordable housing. The locality must grant the application if 1) the owner charges rents at levels that meet the locality's definition of affordable housing and 2) the real property does not have any pending building code violations at the time of the application.

Under these special assessment rules, in order to determine the fair market value of real property that is operated as affordable rental housing, the real estate assessor must consider: 1) the contract rent and the impact of applicable rent restrictions; 2) the actual operating expenses and expenditures and the impact of any such additional expenses or expenditures and; 3) restrictions on the transfer of title or other restraints on alienation of the real property. The assessor must also consider evidence presented by the property owner of other restrictions imposed by law that impact these variables.

In general, real estate assessors may require the owners of all income producing real property to furnish a statement of income and expenses. An exception to the general requirement is allowed for income producing property solely from the rental of no more than four dwelling units. However, this exception does not apply to property assessed as affordable rental housing.

### Proposal

This bill would clarify that a real estate assessor may require an owner of real property with four or fewer residential units that is operated in whole or in part as affordable rental housing to furnish to the assessor a statement of the income and expenses attributable to the property when the owner applies to the locality to have the real property assessed as affordable rental housing.

The effective date of this bill is not specified.

### Similar Bills

**House Bill 1470** would authorize circuit courts for any locality to appoint up to two alternate board members to serve on local Boards of Equalization if a member of the Board is absent or abstains.

**House Bill 1526** would allow statements of income and expense to be used in a complaint before a Board of Equalization and in an action for relief in court from the determination of the Board of Equalization even if the statements were not timely presented to the assessor. The bill provides that the statements must be submitted to the Board of Equalization at least 30 days prior to the hearing before the Board.

**House Bill 1532** would lower the threshold percentage of taxes and liens on property from 50 percent to 20 percent of the assessed value of the parcel and, if only taxes, from 25 percent to 10 percent of the assessed value of the parcel to allow a special commissioner to convey the real estate to the locality in lieu of a public sale at auction.

**House Bill 1588** would shift the burden of proof from the taxpayer to the assessor when the taxpayer appeals the assessment of real property to a Board of Equalization or to a circuit court, and would remove the presumption that the assessor's valuation of real property is correct.

**Senate Bill 785** and **House Bill 1899** (*identical*) would clarify that the partial exemption from the assessed value of real property subject to real property tax for improvements to

rehabilitated, renovated, or replacement residential structures may not be reduced during the period of exemption, and would clarify that the exemption runs with the land.

cc : Secretary of Finance

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