

**DEPARTMENT OF TAXATION
2025 Fiscal Impact Statement**

1. **Patron** Katrina Callsen

3. **Committee** House Finance

4. **Title** Real property tax; Assessment of affordable housing

2. **Bill Number** HB 2245

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would require that, for assessments completed on or after July 1, 2026, assessors determining the fair market value of real property operated in whole or in part as affordable rental housing use the income approach. The bill would also provide that the locality for which an assessment was performed by an assessor that failed to comply with the provisions of the bill shall reimburse an owner of property for reasonable attorney fees and costs incurred in bringing and prosecuting an appeal of such assessment if the owner wins the appeal.

Additionally, the bill directs the Department of Taxation (“the Department”) to develop, no later than September 1, 2025 and in consultation with a stakeholder group, a short form to be provided by assessors and completed by the owners of affordable rental housing properties.

If enacted during the regular session of the 2025 General Assembly this bill would become effective July 1, 2025.

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

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

8. Fiscal implications:

Administrative Costs

The Department considers implementation of this bill to be “routine” and does not require additional funding.

This bill may have an unknown impact on local administrative costs.

Revenue Impact

This bill may have an unknown impact on local revenues but would not impact state revenue.

9. Specific agency or political subdivisions affected:

Department of Taxation
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:

- the contract rent and the impact of applicable rent restrictions;
- the actual operating expenses and expenditures and the impact of any such additional expenses or expenditures. An owner of two or more units in certain situations has a right to have the assessor make a pro rata apportionment of such expenses and expenditures to each such unit based on each unit's assessed value as a percentage of the total assessed value of all such units; and
- restrictions on the transfer of title or other restraints on alienation of the real property.

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 require assessors determining the fair market value of real property operated in whole or in part as affordable rental housing use the income approach. The bill would also provide that the locality for which an assessment was performed by an assessor that failed to comply with the provisions of the bill shall reimburse an owner of

property for reasonable attorney fees and costs incurred in bringing and prosecuting an appeal of such assessment if the owner wins the appeal.

The bill would also require the assessor analyzing affordable housing using the income approach to consider the operating expense and capitalization rate data from comparable affordable housing. If an affordable housing property was sold during the most recent taxable year, the assessor would be required to use income and expense information from the prior and current owner.

Additionally, the bill would require the Department to develop, in consultation with a stakeholder group, a short form to be provided by the duly authorized assessors and completed by the owners of affordable rental housing properties through which such owners may comply with such assessor's request for a statement of income and expenses. Such form shall be completed no later than September 1, 2025.

The bill would require that the form require inclusion only of the following:

- the owner's name and personal home address,
- the location and description of the property upon which affordable housing is provided by such owner,
- the current rental rate of any dwelling upon such property,
- any tenant concessions,
- the gross annual rental income and any other revenues incidental thereto for such property,
- the vacancy rate of any dwelling units upon such property,
- the current collection loss rate,
- any annual reserve for replacements, and
- the annual operating expenses for such property.

The provisions of the bill shall only apply to assessments completed on or after July 1, 2026.

If enacted during the regular session of the 2025 General Assembly this bill would become effective July 1, 2025.

cc: Secretary of Finance

Date: 01/21/2025 VB
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