



# Application for Constructing or Rehabilitating Low-Income Housing Property Tax Exemption for \_\_\_\_\_

**GENERAL INSTRUCTIONS:** This application is for use in claiming exemptions pursuant to Tax Code §11.1825 and pre-acquisition, preliminary determinations of qualification for such exemptions pursuant to Tax Code §11.436(c). You must furnish all information and documentation required by the application.

**EXEMPTION APPLICATIONS:** Generally, the completed application, with all required documentation, must be filed between January 1 and no later than April 30 of the year for exemption is requested. However, pursuant to Tax Code §11.436(a), an organization that acquires property that qualifies for an exemption under Tax Code §11.1825 may apply for the exemption for the year of acquisition not later than the 30th day after the date the organization acquires the property, and the deadline provided by Tax Code §11.43(d) does not apply to the application for that year. If an application filed pursuant to Tax Code §11.436(a) is granted, the exemption for that year applies only to the portion of the year in which the property qualifies for the exemption, as provided by Tax Code §26.111. A new application must be filed each year an exemption is claimed.

**PRELIMINARY DETERMINATION APPLICATIONS:** Pursuant to Tax Code §11.436(c), to facilitate the financing associated with the acquisition of a property, an organization, before acquiring the property, may request from the chief appraiser of the appraisal district established for the county in which the property is located a preliminary determination of whether the property would qualify for an exemption under Tax Code §11.1825 if acquired by the organization. The request must include the information that would be included in an application for an exemption for the property under Tax Code §11.1825. Not later than the 45th day after the date a request is submitted under Tax Code §11.436(c), the chief appraiser shall issue a written preliminary determination for the property included in the request. A preliminary determination does not affect the granting of an exemption under Section 11.1825.

### OTHER IMPORTANT INFORMATION

Pursuant to Tax Code §11.45, after considering this application and all relevant information, the chief appraiser may request additional information from you. You must provide the additional information within 30 days of the request or the application is denied. For good cause shown, the chief appraiser may extend the deadline for furnishing the additional information by written order for a single period not to exceed 15 days.

### STEP 1: State Whether an Exemption or Preliminary Determination is Sought

Exemption       Preliminary Determination

### STEP 2: State the Year for Which Exemption or Preliminary Determination is Sought

Exemption \_\_\_\_\_ Preliminary Determination \_\_\_\_\_

### STEP 3: Provide Name and Mailing Address of Property Owner and Identity of Person Preparing Application

Name of Property Owner \_\_\_\_\_

Mailing Address \_\_\_\_\_

City, State, ZIP Code \_\_\_\_\_ Phone (area code and number) \_\_\_\_\_

Property Owner is a (check one):

Partnership       Corporation       Other (specify): \_\_\_\_\_

Name of Person Preparing this Application \_\_\_\_\_ Title \_\_\_\_\_ Driver's License, Personal I.D. Certificate, or Social Security Number\* \_\_\_\_\_

If this application is for an exemption from ad valorem taxation of property owned by a charitable organization with a federal tax identification number, that number may be provided here in lieu of a driver's license number, personal identification certificate number, or social security number: . . . . . \_\_\_\_\_

\* Unless the applicant is a charitable organization with a federal tax identification number, the applicant's driver's license number, personal identification certificate number, or social security account number is required. Pursuant to Tax Code Section 11.48(a), a driver's license number, personal identification certificate number, or social security account number provided in an application for an exemption filed with a chief appraiser is confidential and not open to public inspection. The information may not be disclosed to anyone other than an employee of the appraisal office who appraises property, except as authorized by Tax Code Section 11.48(b). If the applicant is a charitable organization with a federal tax identification number, the applicant may provide the organization's federal tax identification number in lieu of a driver's license number, personal identification certificate number, or social security account number.

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STEP 4: Identify the Property

1. Provide the property's legal description.

[Empty box for property legal description]

2. What is the appraisal district account number (if known)? .....

3. What is the property address? Street

City, State, ZIP Code

STEP 5: Identify Qualifying Organization

To receive an exemption under Tax Code §11.1825, either the property owner or one of two other entities must meet the requirements set forth in Tax Code §11.1825(b).

Pursuant to Tax Code §11.1825(c), property may qualify for an exemption under Tax Code §11.1825 if the property owner does not meet the requirements of Tax Code §11.1825(b) if the property otherwise qualifies for the exemption and the owner is:

- (1) a limited partnership of which an organization that meets the requirements of Tax Code §11.1825(b) controls 100 percent of the general partner interest, is organized under the laws of Texas, and has its principal place of business in Texas; or
(2) an entity the parent of which is an organization that meets the requirements of Tax Code §11.1825(b), is organized under the laws of Texas, and has its principal place of business in Texas.

For purposes of this application, the term "qualifying organization" refers to the organization (property owner or other entity described by Tax Code §11.1825(c)) that meets the Tax Code §11.1825(b) requirements:

- (1) for at least the preceding three years, the organization:
(A) has been exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as amended, by being listed as an exempt entity under Section 501(c)(3) of that code;
(B) has met the requirements of a charitable organization provided by Tax Code §11.18(e) and (f); and
(C) has had as one of its purposes providing low-income housing;
(2) a majority of the members of the board of directors of the organization have their principal place of residence in this state;
(3) at least two of the positions on the board of directors of the organization must be reserved for and held by:
(A) an individual of low income as defined by Section 2306.004, Government Code, whose principal place of residence is located in this state;
(B) an individual whose residence is located in an economically disadvantaged census tract as defined by Section 783.009(b), Government Code, in this state; or
(C) a representative appointed by a neighborhood organization in this state that represents low-income households; and
(4) the organization must have a formal policy containing procedures for giving notice to and receiving advice from low-income households residing in the county in which a housing project is located regarding the design, siting, development, and management of affordable housing projects.

Does the property owner identified in Step 3, above, meet the requirements of Tax Code §11.1825(b)? ... Yes No

Note: If you answered "yes," the property owner is the qualifying organization for purposes of the remainder of this application and you may skip to Step 6. If you answered "no," the property owner is not the qualifying organization for purposes of the remainder of this application and you must provide the following information before proceeding to Step 6.

If the property owner identified in Step 3, above, does not meet the requirements of Tax Code §11.1825(b), please identify the qualifying organization pursuant to Tax Code §11.1825(c):

Name of Qualifying Organization

Mailing Address

City, State, ZIP Code

Phone (area code and number)

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**STEP 5: Identify Qualifying Organization (continued)**

- Is the qualifying organization identified above organized under the laws of Texas?  Yes  No
- Does the qualifying organization identified above have its principal place of business in Texas?  Yes  No
- Pursuant to Tax Code §11.1825(c)(1), is the property owner a limited partnership of which the qualifying organization identified above controls 100 percent of the general partner interest?  Yes  No  
If yes, please attach organizational documents supporting your answer.
- Pursuant to Tax Code §11.1825(c)(2), is the qualifying organization the parent of the property owner?  Yes  No  
If yes, please attach organizational documents supporting your answer.

**STEP 6: Provide Information Regarding Qualifying Organization (identified in Step 5)**

- 1. Is the organization engaged primarily in public charitable functions?  Yes  No  
If yes, using an attachment, describe the organization's activities in a narrative. The narrative description of activities should be thorough, accurate and include date-specific references to the tax year for which the exemption is sought. You may also attach representative copies of newsletters, brochures or similar documents for supporting details to this narrative.
- 2. Is the organization organized exclusively to perform religious, charitable, scientific, literary or educational purposes?  Yes  No  
If yes, attach copies of organizational documents supporting your answer.

**STEP 7: Answer the Following Questions About the Organization**

For the preceding three years (note years) \_\_\_\_\_, answer these questions:

- 1. Has the organization been exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as amended, as an exempt entity under Section 501(c)(3) of that Code?  Yes  No
- 2. Has the organization operated, or its charter permit to operate, in a manner that permits the accrual of profits or distribution of any form of private gain? If yes, explain on a separate attached page.  Yes  No
- 3. Has the organization used its assets in providing low-income housing?  Yes  No
- 4. In the past year has the organization loaned funds to, borrowed funds from, sold property to or bought property from a shareholder, director or member of the organization, or has a shareholder or member sold his interest in the organization for a profit?  Yes  No  
If "Yes," attach a description of each transaction. For sales, give buyer, seller, price paid, value of the property sold and date of sale. For loans, give lender, borrower, amount borrowed, interest rate and term of loan. Attach a copy of note, if any.
- 5. Attach a list of salaries and other compensation for services paid in the last year. List any funds distributed to members, shareholders or directors in the last year. In each case, give recipient's name, type of service rendered or reason for payment and amounts paid.

About the board of directors, answer these questions:

- 1. Does a majority of the members of the organization's board of directors of the organization have their principal place of residence in Texas?  Yes  No  
Attach a list of the board members and their principal places of residence.
- 2. Do two or more directors on the board whose principal place of residence is located in Texas meet one of the following requirements: an individual of low income as defined by Section 2306.004, Government Code; or an individual whose residence is located in an economically disadvantaged census tract in Texas, as defined by Section 783.009(b), Government Code; or is a representative appointed by a neighborhood organization in Texas that represents low-income households?  Yes  No  
Note on attached list of board members those directors that meet one of these provisions, and indicate which provisions.

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**STEP 7: Answer the Following Questions About the Organization (continued)**

**About policies, bylaws or charter, answer these questions:**

1. Does the organization have a formal policy containing procedures for giving notice to and receiving advice from low-income households residing in the county in which a housing project is located regarding the design, siting, development and management of affordable housing projects?  Yes  No  
 If "Yes," attach a copy of the formal policy.
  
2. Does the organization perform, or does its charter permit it to perform, any functions other than those of providing low-income housing?  Yes  No  
 If "Yes," attach a statement describing the other functions in detail.
  
3. Do the by-laws or charter direct that on the discontinuance of the organization the organization's assets are to be transferred to the State of Texas, to the United States, or to an educational, religious, charitable or other similar organization that is qualified for exemption under Sec. 501(c)(3), Internal Revenue Code, as amended?  Yes  No  
 If "Yes," give the page and paragraph numbers. Page \_\_\_\_\_ Paragraph \_\_\_\_\_  
 If "No," do these documents direct that on discontinuance of the organization the organization's assets are to be transferred to members who have promised in their membership applications to immediately transfer them to the State of Texas, to the United States, or to an educational, religious, charitable or other similar organization that is qualified for exemption under Sec. 501(c)(3), Internal Revenue Code, as amended?  Yes  No  
 If "Yes," give the page and paragraph numbers. Page \_\_\_\_\_ Paragraph \_\_\_\_\_  
 If "Yes," was the two-step transfer required for the organization to qualify for exemption under Sec. 501(c)(12), Internal Revenue Code, as amended?  Yes  No

**STEP 8: Provide Information About the Use of the Property**

1. Does the organization currently rent or sell or plan to rent or sell dwelling units in this building to individuals or families? If so, attach rent schedule.  Rent  Sell
  
2. Questions regarding renting dwelling units:  
 Do/will the individuals and families have a median income that is not more than 60 percent of either the area or statewide median family income? (Complete A or B):  Yes  No  
 A. Area median family income for the household's place of residence, as adjusted for family size and as established by the United States Department of Housing and Urban Development, which is \$ \_\_\_\_\_  
**OR**  
 B. Statewide area median family income, as adjusted for family size and as established by the United States Department of Housing and Urban Development, which is \$ \_\_\_\_\_  
 What is the annual total of the monthly rent charged or to be charged for each dwelling unit in this building that is reserved for an individual or family? \$ \_\_\_\_\_/year  
 Will the organization be renting or offering to rent the applicable square footage of dwelling units in this building to qualified individuals and families by the third anniversary of the date the organization acquired this property?  Yes  No
  
3. Questions regarding selling dwelling units:  
 Do/will the individuals and families have a median income that is below either the area or statewide median family income? (Complete A or B):  Yes  No  
 A. Area median family income for the household's place of residence, as adjusted for family size and as established by the United States Department of Housing and Urban Development, which is \$ \_\_\_\_\_  
**OR**  
 B. Statewide area median family income, as adjusted for family size and as established by the United States Department of Housing and Urban Development, which is \$ \_\_\_\_\_
  
4. How many dwelling units does/will the above described property have? \_\_\_\_\_ units
  
5. What percentage of the total square footage of the dwelling units in this building described above are/will be reserved for individuals or families noted in question No. 1 above? \_\_\_\_\_ %

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**STEP 9: Provide Information Regarding Audit**

Pursuant to Tax Code §11.1826, property may not be exempted under Tax Code §11.1825 for a tax year unless the organization owning or controlling the owner of the property has an audit prepared by an independent auditor covering the organization's most recent fiscal year.

The audit must include an opinion on whether:

- (1) the financial statements of the organization present fairly, in all material respects and in conformity with generally accepted accounting principles, the financial position, changes in net assets, and cash flows of the organization; and
- (2) the organization has complied with all of the terms and conditions of the exemption under Tax Code §11.1825.

Not later than the 180th day after the last day of the organization's most recent fiscal year, the organization must deliver a copy of the audit to the Texas Department of Housing and Community Affairs and the chief appraiser of the appraisal district in which the property is located.

If the property contains not more than 36 dwelling units, the organization may deliver to the Texas Department of Housing and Community Affairs and the chief appraiser a detailed report and certification as an alternative to an audit.

1. Did the organization timely deliver the required audit or report and certification, as applicable, to the Texas Department of Housing and Community Affairs?  Yes  No

If no, attach a statement explaining your answer.

2. Did the organization timely deliver the required audit or report and certification, as applicable, to the appraisal district?  Yes  No

If no, attach a statement explaining your answer.

**STEP 10: Provide Property Specific Information**

If the property is under construction or rehabilitation:

- Attach a Schedule A (CONSTRUCTING) form for each parcel of land and each building of real property to be exempt for constructing low-income housing.
- Attach a Schedule B (REHABILITATING) form for each parcel of land and building to be exempt for rehabilitating low-income housing.

If the property's construction or rehabilitation is complete and this application is filed annually as required by Tax Code Section 11.43(b) to maintain a previously granted exemption, skip to Step 11.

**STEP 11: Read, Sign, and Date**

By signing this application, you certify that the information provided is true and correct to the best of your knowledge and belief.

On Behalf of *(name of property owner)*

**sign here** ➔

Authorized Signature

Date

**print here** ➔

Printed Name of Person Authorized to File Application

Title

**If you make a false statement on this form, you could be found guilty of a Class A misdemeanor or a state jail felony under Section 37.10, Penal Code.**

### Schedule A: Constructing Low-Income Housing

Complete one Schedule A form for EACH land parcel of improved (with building) and unimproved real property qualified for exemption. Attach all completed schedules to your application for exemption.

Name of Property Owner

Property Address

City, State, ZIP Code

Describe the Primary Use of the Property

Date of acquisition of property: \_\_\_\_/\_\_\_\_/\_\_\_\_

Is this property reasonably necessary for operation of the organization?  Yes  No

**Answer These Questions About the Property Listed Above:**

If this is a preliminary determination of exemption, when the final application is filed is this property expected to be under "active construction" or "physical preparation?" .....  Active Construction  Physical Preparation

If this is a final determination of exemption, is this property under "active construction" or "physical preparation?" .....  Active Construction  Physical Preparation

If "active construction," when will construction be completed? ..... \_\_\_\_/\_\_\_\_/\_\_\_\_

If "physical preparation," what has been done?

*"Physical preparation" is when the organization has engaged in architectural or engineering work, soil testing, land clearing activities, or site improvement work necessary for constructing the project or has conducted an environmental or land use study for construction of the project.*

Schedule B: Rehabilitating Buildings for Low-Income Housing

Complete one Schedule B form for EACH building and land qualified for exemption. Attach all completed schedules to your application for exemption.

Name of Property Owner

Property Address

Building

City, State, ZIP Code

Describe the Primary Use of the Property

Date of acquisition of property: \_\_\_/\_\_\_/\_\_\_

Is this property reasonably necessary for operation of the organization? Yes No

Answer These Questions About the Property Listed Above:

1. When did actual rehabilitation of this property begin, or when is it expected to begin? \_\_\_/\_\_\_/\_\_\_

2. When will rehabilitation of this property be completed? \_\_\_/\_\_\_/\_\_\_

3. When was the original construction of this housing project completed? \_\_\_/\_\_\_/\_\_\_

4. If the organization acquired this property from another person/organization, how long did the person/organization own the property? \_\_\_ years

5. Has the organization spent or does it intend to spend the greater of: (check one)

\$5,000 or amount required by the financial lender for each dwelling unit in the project for the rehabilitation of this property? Yes No

Attach a written statement prepared by a certified public accountant stating what the organization has spent or a copy of the development budget to verify the intent to spend the requisite amount.

6. Does the organization maintain a reserve fund for replacements? Yes No

In what amount:

amount required by the financial lender for each dwelling unit in the project or

\$300 for each dwelling unit in the project or

\$ amount for each dwelling unit in the project adjusted for cost-of-living (for tax years 2005 or later)

Has the organization made withdrawals from the reserve? Yes No

If "Yes," was it: (check one)

authorized by the financial lender or

to pay the cost of capital improvements needed to maintain habitability under the Minimum Property Standards of the U. S. Department of Housing and Urban Development. "Capital improvement" is a property improvement that has a depreciable life of at least five years, excluding typical "make ready" expenses such as plaster repair, interior paint, or floor coverings.