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LEGAL ALERT

Audit Requirements for CHDO Ad Valorem Tax Exemption

Effective January 1, 2004, a new law will take effect requiring each property owner with an ad valorem tax exemption under Section 11.182 of the Texas Tax Code (the "CHDO Exemption") to comply with certain audit guidelines. Specifically:

- The CHDO must have an audit for its most recent fiscal year;
- The audit must be conducted in accordance with generally accepted accounting principles;
- The audit must include opinions as to whether:
 - the financial statements of the CHDO 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
 - the CHDO has complied with all of the terms and conditions of the CHDO Exemption.
- The audit must be delivered to the Texas Department of Housing and Community Affairs and the chief appraiser of the appraisal district in which the property is located within 180 days of the end of the CHDO's fiscal year.

As an exception, properties containing not more than 36 dwelling units are permitted to submit a detailed report and certification as an alternative to a full audit.

All properties that obtained a CHDO Exemption prior to January 1, 2004 must comply with this new law. Contact your auditor to ensure that these requirements are taken into consideration for your annual audit.

If our Firm can be of any assistance, please contact Cynthia Bast at 512-305-4707, or cbast@lockeliddell.com.