LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 22, 2009

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: **HB1257** by Legler (Relating to the payment in installments of ad valorem taxes on certain property owned by a business entity and located in a disaster area.), **As Passed 2nd House**

No significant fiscal implication to the State is anticipated.

The bill would add new Section 11.135 to the Tax Code to require the continuation of a homestead exemption when a residence is under repair following an event that rendered the residence uninhabitable or unusable. The owner would be required to begin repairs within one year, the exemption would be limited to two years, and the exemption would not be available if the owner obtains a homestead exemption on another residence.

The bill would impose an additional tax to recapture the difference between the amount that would have been taxed and the amount actually taxed with the exemption if the owner sells the property before the completion of a replacement qualified residential structure. The bill would require a lien to be attached to the property to secure payment of the additional tax and interest. The Comptroller would adopt rules and forms to implement this new section.

The bill would make conforming amendments to continue the limitation on tax increases during the construction period and to exclude covered renovations from treatment as improvements for the purpose of calculating any limitation on tax increases.

The bill would amend Chapter 31 of the Tax Code, regarding the collection of property taxes, to expand an installment payment option for ad valorem taxes. Under current law, the option is available for residence homesteads and residential housing with less than five units that were damaged as the result of a disaster. This bill would extend the option to certain property damaged by a disaster and owned or leased by a business entity with $5 million or less in annual gross receipts. The expanded installment payment option would cover real and tangible personal property.

To the extent that property tax exemptions and limitations would be continued under the bill that would have been removed under current law, there would be a tax revenue loss to taxing units and to the state. The extent to which homeowners would return to damaged and uninhabitable residences is unknown. The extent to which appraisal districts are currently discontinuing homestead exemptions and homestead tax increase limitations on damaged and uninhabited homesteads is also unknown. Because of this lack of information, the loss cannot be estimated but because of the limited circumstances in which the loss could occur, the loss is not expected to be significant.

Passage of this bill also would expand the installment payment option but would still require that taxes be paid in the year following the tax year in which they are imposed. The bill would affect the timing but not the amount of taxes collected in a given year on certain property damaged by a disaster, so there would be no fiscal impact on the state.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2009.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

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