

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

February 23, 2011

TO: Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

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

IN RE: HB234 by Otto (Relating to liability for interest on ad valorem taxes on improvements that escaped taxation in a previous year.), **As Introduced**

No fiscal implication to the State is anticipated.

The bill would amend Chapters 26 and 31 of the Tax Code (assessments for and collections of property taxes) regarding the liability for interest on taxes on improvements that escaped taxation in a previous year.

Under the bill, the issuance of a building permit would be considered constructive notice to the appraisal district of the presence of an improvement and, in this situation, back taxes would not incur interest if for the year in question the land on which the improvement is located was taxed and the property owner pays all back taxes on the improvement not later than the 120th day after the bill for back taxes is sent.

The bill would cause a loss of revenue to taxing units to the extent that appraisal districts fail to include on the tax roll improvements for which building permits have been issued. The amount of such revenue losses are unknown but the great majority of appraisal districts currently use building permits as a routine part of their discovery process. Consequently, the revenue losses would not be significant for local governments. Interest charges on back taxes are not a part of the state's school funding formula so there would be no state fiscal impact.

The bill would take effect September 1, 2011.

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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