LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 16, 2011

TO: Honorable Royce West, Chair, Senate Committee on Intergovernmental Relations

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

IN RE: **HB1118** by Ritter (Relating to the resale of property purchased by a taxing unit at a tax sale.), **As Engrossed**

No fiscal implication to the State is anticipated.

The bill would amend Chapter 34 of the Tax Code, regarding property taxation, tax sales, and redemption. The bill would allow a taxing unit that has purchased property at a tax foreclosure sale to sell that property in a private sale for the appraisal roll market value or greater, in lieu of selling the property in a public sale. These sales would be authorized if the judgment amount plus post-judgment taxes, penalties, and interest on the property exceeds market value (according to the most recent certified appraisal roll) and each taxing unit entitled to sale proceeds consents to the sale. If a taxing unit does not consent to a sale, the nonconsenting unit is liable to the purchasing taxing unit for the pro rata share of incurred cost of maintaining that property, starting with the date the unit fails to provide consent. The pro rata share would be equal to the percentage of the sale proceeds to which the nonconsenting unit would be entitled multiplied by the incurred maintenance cost.

These sales would discharge and extinguish all liens foreclosed by the judgment and the liens for post-judgment taxes (except for prorated tax for the current year). Any remaining right of redemption at the time of sale and the purchaser's obligation to pay the prorated taxes would still apply to the conveyed property.

The bill would allow a taxing unit to sell foreclosed property at a private sale for appraisal roll market value or more with the consent of other taxing units when the judgment amount, taxes, fees, and interest exceed market value. The discharging of all liens (except for prorated taxes) would allow taxing units to sell properties that otherwise would not be sold, resulting in a gain to local taxing units. While the sale proceeds might not cover the total amount of discharged liens, these liens, for the most part, would not otherwise be paid because the property would have remained unsold. No information is available about the number of taxing unit owned foreclosed properties that would be sold because the liens would be discharged, the amount of liens that would be discharged, or how often a taxing unit would not consent to sale and consequently would have to pay a pro rata share of maintenance costs. As a result, the fiscal impact to taxing units cannot be estimated. There would be no fiscal impact to the state because proceeds from tax sales are not included in the school funding formulas.

This 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, 2011.

Local Government Impact

The discharging of all liens (except for prorated taxes) would allow taxing units to sell properties that otherwise would not be sold, resulting in a gain to local taxing units.

Source Agencies: 304 Comptroller of Public Accounts

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