

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 20, 2015

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB2367** by Turner, Chris (Relating to the rate at which interest accrues in connection with the deferral or abatement of the collection of ad valorem taxes on certain residence homesteads.), **As Introduced**

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| No fiscal implication to the State is anticipated. |
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The bill would amend Chapter 33 of the Tax Code, regarding property tax delinquency, to change the interest rate charged on deferred or abated property taxes of a residence homestead owner who is age 65 or older, or is disabled, or whose appraised value has increased more than 105 percent. The interest rate would be the five-year Constant Maturity Treasury Rate reported by the Federal Reserve as of January 1 of the applicable year, rather than eight percent.

The bill would reduce the amount of interest revenue received by local taxing units because the five-year Constant Maturity Treasury Rate is expected to be less than eight percent in the near future. The amount of interest on deferred or abated taxes that would be affected by the reduced interest rate proposed by the bill is unknown; consequently the cost to local taxing units cannot be estimated. There would be no cost to the state because interest revenue is not included in the school funding formulas.

The bill would take effect on September 1, 2015, and would apply to interest that accrued during a deferral or abatement period before September 1, 2015, if the tax remains unpaid as of that date, and would apply to interest that accrues during a deferral or abatement period on or after that date, regardless of whether the deferral or abatement period began before or after the effective date.

Local Government Impact

Passage of the bill would change the interest rate charged on deferred or abated property taxes of a residence homestead owner who is age 65 or older, or is disabled, or whose appraised value has increased more than 105 percent. The interest rate would be the five-year Constant Maturity Treasury Rate reported by the Federal Reserve as of January 1 of the applicable year, rather than eight percent. The amount of interest revenue received by local taxing units is expected to be less than eight percent in the near future.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS