

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATURE 1st CALLED SESSION - 2017**

**July 24, 2017**

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

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** **HB108** by Murphy (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**

<b>No fiscal implication to the State is anticipated.</b>
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The bill would amend Chapter 33 of the Tax Code, regarding property tax delinquency, to provide that the annual interest rate during a property tax deferral or abatement period for certain individuals who are 65 years of age or older, or whose property has been appraised at more than 105 percent of the preceding year's appraised value, is the five-year Constant Maturity Treasury Rate reported by the Federal Reserve as of January 1 of the year in which the deferral or abatement was obtained (rather than 8 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 8 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 January 1, 2018, and would apply to interest that accrued during a deferral or abatement period before January 1, 2018, if the tax remains unpaid as of that date, and 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 January 1, 2018, or begins on or after that date.

**Local Government Impact**

Passage of 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 8 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.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** UP, KK, SD, SJS

