

**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:** **HB115** by Bonnen, Greg (Relating to deferred payment of ad valorem taxes for certain persons serving in the United States armed forces.), **As Introduced**

**Passage of the bill would allow eligible active duty members of the armed forces to defer property taxes without penalty or interest regardless of whether there is a war or national emergency, the reduction of interest, and the removal of penalties would create a cost to the state through the school finance formulas by increasing the number of property tax deferrals.**

The bill would amend Chapter 31 of the Tax Code, regarding property tax collections, to permit an eligible person serving on active duty (rather than serving on active duty during a war or national emergency) in any branch of the U.S. armed forces to pay delinquent property taxes without penalty or interest no later than 60 days after the earlier of the following events:

1. the person is discharged from active military service;
2. the person returns to the state for more than 10 days; or
3. the person returns to non-active duty status in the reserves.

The bill would strike "the war or national emergency ends" from the list of events.

"Eligible person" would be defined as a person on active military duty in this state who was transferred out of this state (rather than transferred out of this state as a result of a war or national emergency declared in accordance with federal law), or a person in the reserve forces who was placed on active military duty and transferred out of this state (rather than transferred out of this state as a result of a war or national emergency declared in accordance with federal law).

The bill would amend Chapter 33 of the Tax Code, regarding property tax delinquency, to provide that, notwithstanding some of the other provisions related to penalties and interest, if an eligible person serving on active duty in any branch of the U.S. armed forces does not pay a deferred tax before the date the prescribed deferral period expires, the deferred tax:

1. accrues interest at a rate of six percent (one percent per month under current law) for each year or portion of a year the tax remains unpaid; and
2. does not incur a penalty (normally 12 percent after July 1st under current law).

The bill's provision allowing eligible active duty members of the armed forces to defer property taxes without penalty or interest regardless of whether there is a war or national emergency, the reduction of interest, and the removal of penalties would create a cost to local taxing units and to the state through the school finance formulas by increasing the number of property tax deferrals. The number, amount, and timing of additional property tax deferrals, reduced interest, or removed penalties that would occur as a result of the bill is unknown. Consequently, the cost of the bill

cannot be estimated.

The bill would take effect on December 1, 2017 and would apply to penalties and interest on delinquent taxes if the taxes are paid on or after the effective date even if the penalties or interest accrued before the effective date.

### **Local Government Impact**

Passage of the bill would allow eligible active duty members of the armed forces to defer property taxes without penalty or interest regardless of whether there is a war or national emergency, the reduction of interest, and the removal of penalties would create a cost to local taxing units.

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

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