

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 11, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1833 by Dutton (Relating to the exemption of real property from ad valorem taxation during the period between the issuance of a judgment foreclosing a tax lien on the property and the sale of the property at a tax sale conducted under that judgment or the payment by the property owner of that judgment before the sale, as applicable.), **As Introduced**

Passage of the bill would exempt a property from property taxation for a temporary period beginning on the date a judgment foreclosing a tax lien on the property is entered and ending on the date the property is sold or transferred to a taxing unit at a tax sale, or the property owner pays the judgment if done before the sale. As a result, taxable property values could be reduced and the related costs to the Foundation School Fund could be increased through the operation of the school finance formulas.

The bill would amend Chapter 11 of the Tax Code, regarding property tax exemptions, to provide that property is exempt from property taxation during the period beginning on the date a judgment foreclosing a tax lien on the property is entered and ending:

1. on the date the property is sold to a purchaser or bid off (the title is transferred) to a taxing unit at a tax sale conducted under the judgment; or
2. if the property owner pays the amount of the judgment before the property is sold or bid off, on the date the owner pays the judgment.

If the property owner pays the judgment before the property is sold or redeems the property as provided by law, a penalty is imposed in an amount equal to the amount of the taxes that would have been imposed during the period the property was exempted from taxation, plus interest at an annual rate of seven percent calculated from the dates on which the taxes would have become due. A tax lien attaches to the property on the date the property owner pays the judgment or redeems the property, as applicable, to secure payment. The lien would exist in favor of all taxing units for which the penalty is imposed.

The bill would amend Chapter 34 of the Tax Code, regarding tax sales and redemption, to strike language including any post-judgment taxes, penalties, and interest from the amounts for which a taxing unit is able to enforce collection from a former owner of the property. The bill would make conforming changes.

The bill would exempt a property from property taxation for a temporary period beginning on the date a judgment foreclosing a tax lien on the property is entered and ending on the date the property is sold or transferred to a taxing unit at a tax sale, or the property owner pays the judgment (if done before the sale). A taxing unit would no longer be able to collect post-judgment

taxes, penalties, and interest from a former owner of the property. These provisions would reduce the amount of taxes, penalty, and interest that a taxing unit would receive from a sale of the property, creating a cost to local taxing units and the state through the school finance formulas. The number and value of properties that would be exempted for the temporary period proposed by the bill is unknown; consequently, the cost of the bill cannot be estimated.

The bill would take effect January 1, 2018, contingent on adoption by the voters of a constitutional amendment.

Local Government Impact

Passage of the bill would exempt a property from property taxation for a temporary period beginning on the date a judgment foreclosing a tax lien on the property is entered and ending on the date the property is sold or transferred to a taxing unit at a tax sale, or the property owner pays the judgment if done before the sale. A taxing unit would no longer be able to collect post-judgment taxes, penalties, and interest from a former owner of the property. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be reduced.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS