

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 28, 2017

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1745 by Hinojosa (Relating to the effect of a sale of property on the tax lien on the property to secure the payment of taxes, penalties, and interest imposed on the property as a result of the addition to the appraisal roll of property or appraised value that was erroneously exempted in a prior year.), **As Introduced**

Passage of the bill would prohibit the enforcement of a tax lien on a property that had an erroneous exemption in a prior year, was added to the appraisal roll, and then sold in an arm's length transaction to an unrelated person. In some instances, this would prevent the collection of taxes that would otherwise be collected because a taxing unit would be unable to foreclose on the property resulting in a cost to the state through the operation of the school finance formulas.

The bill would amend Chapter 11 of the Tax Code, regarding property tax exemptions, to prohibit in certain circumstances the enforcement of a tax lien on a property if the chief appraiser adds that property or appraised value to the appraisal roll as a result of an erroneous exemption in a prior year. A tax lien would not be enforced against the property to secure the payment of any taxes, penalties, or interest imposed for that prior year if at any time after January 1 of that prior year the property was sold in an arm's length transaction to a person who was not related to the seller within the first degree by consanguinity or affinity.

The bill's prohibition of the enforcement of a tax lien on a property that had an erroneous exemption in a prior year, was added to the appraisal roll, and then sold in an arm's length transaction to an unrelated person would, in some instances, prevent the collection of taxes, penalties, and interest that would otherwise be collected because a taxing unit would be unable to foreclose on the property. This would create a cost to local taxing units and the state through the school finance formulas. The amount of property taxes, penalties, and interest that would not be collected under this proposal is unknown; consequently, the cost of the bill cannot be estimated.

The bill would take effect September 1, 2017

Local Government Impact

Passage of the bill would prohibit the enforcement of a tax lien on a property that had an erroneous exemption in a prior year, was added to the appraisal roll, and then sold in an arm's length transaction to an unrelated person. In some instances, this would prevent the collection of taxes, penalties, and interest that would otherwise be collected because a taxing unit would be unable to foreclose on the property. As a result, revenue for units of local government could be

reduced.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS