

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

May 6, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB2242 by Hinojosa (relating to the resolution of disputes or errors involving the ad valorem taxation of the same property by multiple taxing units of the same type as a result of disputed, overlapping, or erroneously applied boundaries.), **Committee Report 2nd House, Substituted**

The bill's provision requiring the Commissioner of Education to adjust school funding would be invoked when the resolutions of these disputes and errors are related to the imposition of taxes imposed by school districts with territory in Nueces and San Patricio Counties, causing a fiscal impact to the state through the school funding formula. There are too many variables in the school funding formula to determine whether these unknown adjustments would increase or decrease state funding for school districts with territory in these Counties.

The bill amends Chapter 72 of the Local Government Code, relating to county boundaries, to allow a property owner to file suit with the Supreme Court regarding taxes imposed by Nueces and San Patricio Counties and taxes imposed by taxing units with territory in one or more of those counties if multiple like taxing units impose taxes on the property as a result of disputed, overlapping, or erroneously applied geographic boundaries. The suit would be to establish the correct geographic boundary between the taxing units and to determine the amount of taxes owed on the property and taxing unit(s) to which the taxes are owed. The Supreme Court would have original jurisdiction to hear and determine these suits, would be authorized to issue injunctive or declaratory relief, and would be required to enter a final order not later than the 90th day after the suit is filed.

The bill would amend Chapter 31 of the Tax Code, relating to collections, to allow like taxing units to which a property owner has made tax payments under protest as a result of these disputes or errors to enter into an agreement with specified items to resolve the dispute or error. The bill requires that these agreements provide for refunds to the property owner as specified. If a dispute or error is not settled by an agreement and the Supreme Court enters a final order as described, a refund required as a result of the order must be made as specified. A collector making a refund would be required to notify the auditor of each appropriate taxing unit not later than the 30th day after the refund date. These refunds would be made with interest if the refund is not paid by the 60th day after the refund liability arises.

The bill would amend Section 25.25 of the Tax Code, regarding appraisal roll corrections, to require the chief appraiser to correct the appraisal roll as necessary to reflect a Supreme Court final order or an agreement resolving these disputes or errors. The chief appraiser would be required to correct the appraisal roll within 45 days of the final order or agreement.

The bill amends Chapter 42 of the Education Code to require the Commissioner of Education to adjust the amounts due the school district under the Foundation School Program or Education Code Chapter 46 as necessary to account for resolution of these disputes or errors by agreement or by a final order of the Supreme Court.

The bill's provisions would apply to property taxes imposed for a tax year beginning before, on, or after the bill's effective date.

Nueces and San Patricio Counties and the taxing units with territory in those counties could be positively or negatively impacted depending on the Supreme Court decisions or written agreements; therefore, the fiscal impact to these entities cannot be estimated. The bill's provision requiring the Commissioner of Education to adjust school funding would be invoked when the resolutions of these disputes and errors are related to the imposition of taxes imposed by school districts with territory in Nueces and San Patricio Counties, causing a fiscal impact to the state through the school funding formula. There are too many variables in the school funding formula to determine whether these unknown adjustments would increase or decrease state funding for school districts with territory in these Counties.

The bill would take effect immediately upon enactment, assuming it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2017.

Local Government Impact

Passage of the bill would amend the Local Government Code, relating to county boundaries, to allow a property owner to file suit with the Supreme Court regarding taxes imposed by Nueces and San Patricio Counties and taxes imposed by taxing units with territory in one or more of those counties if multiple like taxing units impose taxes on the property as a result of disputed, overlapping, or erroneously applied geographic boundaries. As a result, Nueces and San Patricio Counties and the taxing units with territory in those counties could be positively or negatively impacted depending on the Supreme Court decisions or written agreements. Therefore, the fiscal impact to these entities cannot be estimated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS