

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 16, 2019

TO: Honorable Paul Bettencourt, Chair, Senate Committee on Property Tax

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: **SB2544** by Menéndez (Relating to deferred collection of ad valorem taxes on certain residence homesteads.), **As Introduced**

Passage of the bill would add surviving spouses of first responders killed in the line of duty as individuals permitted to defer collection of property taxes, abate a suit to collect a delinquent tax or abate a sale to foreclose a tax lien. 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 33 of the Tax Code, regarding property tax collections, to include a surviving spouse of a first responder qualified for a residence homestead exemption under Tax Code Section 11.134 as individuals permitted to defer collection of property taxes, abate a suit to collect a delinquent tax or abate a sale to foreclose a tax lien until the 181st day after the date the individual no longer owns and occupies the residence homestead. Currently, only individuals who are 65 years of age or older, or disabled as defined by Tax Code Section 11.13(m), may defer the property tax, or abate a collections suit or foreclosure sale.

The bill would lower the annual interest rate during the deferral or abatement period to 2.5 percent (from 5 percent).

The bill's provisions adding surviving spouses of first responders killed in the line of duty as individuals permitted to defer collection of property taxes, abate a suit to collect a delinquent tax or abate a sale to foreclose a tax lien would create a cost to units of local government and to the state through the operation of school funding formulas. The provision lowering the interest rate would also create a cost to local taxing units. The state would not incur a cost of this provision as interest is not calculated in the school funding formula. The amount of taxes that would be deferred or abated is unknown. As a result, the fiscal impact cannot be estimated.

The bill would take effect January 1, 2020.

Local Government Impact

Passage of the bill would add surviving spouses of first responders killed in the line of duty as individuals permitted to defer collection of property taxes, abate a suit to collect a delinquent tax or abate a sale to foreclose a tax lien. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be reduced.

Additionally, passage of the bill would lower the annual interest rate during the deferral or abatement period to 2.5 percent (from 5 percent) creating a cost to local taxing units.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: WP, KK, SD, SJS