

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

March 6, 2021

TO: Honorable Morgan Meyer, Chair, House Committee on Ways & Means

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB535 by Shine (Relating to the rate at which interest accrues in connection with the deferral or abatement of the collection of ad valorem taxes on the residence homestead of an individual who is elderly or disabled or a disabled veteran.), **As Introduced**

No fiscal implication to the State is anticipated.

This bill would amend Chapter 33 of the Tax Code, regarding property tax delinquency, to provide that the annual interest rate in effect for each calendar year or portion of a calendar year during a property tax deferral or abatement period for certain individuals who are 65 years of age or older or disabled is the 10-year Constant Maturity Treasury Rate reported by the Federal Reserve as of January 1 for that year rather than the current rate of 5.0 percent.

The bill would reduce the amount of interest revenue received by local taxing units because the 10-year Constant Maturity Treasury Rate is currently lower than 5.0 percent and is expected to remain less than 5.0 percent in the future. The amount of interest on deferred or abated taxes that would be affected by the reduced interest rate proposed by the bill is unknown; consequently, the cost to local taxing units cannot be estimated. There would be no cost to the state because interest revenue is not included in the school funding formulas.

The bill would take effect on September 1, 2021 and would apply to interest that accrued during a deferral or abatement period before September 1, 2021, if the tax remains unpaid as of that date, and applies to interest that accrues during a deferral or abatement period on or after that date, regardless of whether the deferral or abatement period began before September 1, 2021 or begins on or after that date.

Local Government Impact

The bill would reduce the amount of interest revenue received by local taxing units because the 10-year Constant Maturity Treasury Rate is currently lower than 5.0 percent and is expected to remain less than 5.0 percent in the future. The amount of interest on deferred or abated taxes that would be affected by the reduced interest rate proposed by the bill is unknown; consequently, the cost to local taxing units cannot be estimated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD, BRi