

BILL ANALYSIS

Senate Research Center
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S.B. 1745
By: Hinojosa
Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Under current law, new property owners are responsible for taxes owed on the properties from prior owner exemptions that were erroneous and rejected post-closing. Regardless of ownership change, the county tax assessor collector must bill the new homeowners and hold them responsible for the payment of the taxes.

In one scenario, a prior owner had a homestead exemption and an over-65 exemption on their property. Once the appraisal district received information on the prior owners post-closing, the district rejected the exemptions and back-assessed for two to five years. This resulted in a back tax being owed and a corrected bill generated and sent to the new owners. The new owner has 21 days to pay the tax, and then penalties and interest begin to kick in. It is difficult for new property owners to collect these funds from prior owners, which leaves new owners liable. Furthermore, title policies and tax certificates do not protect buyers from this problem.

S.B. 1745 and S.J.R. 55 keep new property owners from being held responsible and subject to taxes for exemptions of the prior owner. If an appraiser adds property or appraised value that had previously been exempted in a prior year, a tax lien will not be enforced against the property if at any time after January 1 of that year the property is under new ownership.

As proposed, S.B. 1745 amends current law 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.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 11.43, Tax Code, by adding Subsection (i-1), as follows:

(i-1) Prohibits a tax lien, if the chief appraiser adds property or appraised value that was erroneously exempted in a prior year to the appraisal roll as required by Subsection (i) (relating to requiring the chief appraiser to take certain action if an exemption was erroneously allowed), from being enforced against the property to secure the payment of any taxes, penalties, or interest imposed for that year on the property as a result of the addition of the property or appraised value if at any time after January 1 of that 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, as determined under Chapter 573 (Degrees of Relationship; Nepotism Prohibitions), Government Code.

SECTION 2. Effective date: September 1, 2017.