

BILL ANALYSIS

Senate Research Center
87R5131 RDS-D

S.B. 742
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Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The COVID-19 pandemic severely impacted a number of businesses throughout the state. Currently, the Tax Code permits a business that "has been damaged as a direct result of [a] disaster" to pay its ad valorem taxes in installments. Many business owners have reported that taxing units are unwilling to authorize installment plans for businesses adversely affected by COVID-19 because the pandemic did not cause actual damage to the businesses' property.

S.B. 742 addresses this ambiguity by clarifying that installment plans are available for businesses in disaster areas even if those businesses have not been damaged as a direct result of the disaster. Given the difficulty in evaluating the negative impacts incurred from nonphysical, economic damage, S.B. 742 affords taxing units case-by-case discretion on approving installment payments in these scenarios.

As proposed, S.B. 742 amends current law relating to installment payments of ad valorem taxes on property in a disaster area.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Comptroller of Public Accounts of the State of Texas in SECTION 2 (Section 31.033, Tax Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends the heading to Section 31.032, Tax Code, to read as follows:

Sec. 31.032. INSTALLMENT PAYMENTS OF TAXES ON PROPERTY IN DISASTER AREA THAT HAS BEEN DAMAGED AS A RESULT OF DISASTER.

SECTION 2. Amends Chapter 31, Tax Code, by adding Section 31.033, as follows:

Sec. 31.033. INSTALLMENT PAYMENTS OF TAXES ON PROPERTY IN DISASTER AREA THAT HAS NOT BEEN DAMAGED AS A RESULT OF DISASTER. (a) Defines "disaster" and "disaster area."

(b) Provides that this section applies only to:

(1) real property that:

(A) is owned or leased by a business entity that had not more than the amount calculated as provided by Section 31.032(h) (relating to certain limits on gross receipts) in gross receipts in the entity's most recent federal tax year or state franchise tax annual period, according to the applicable federal income tax return or state franchise tax report of the entity;

(B) is located in a disaster area; and

(C) has not been damaged as a direct result of the disaster;

(2) tangible personal property that is owned or leased by a business entity described by Subdivision (1)(A); and

(3) taxes that are imposed on the property by a taxing unit before the first anniversary of the disaster.

(c) Authorizes the governing body of a taxing unit to authorize a person to pay the taxing unit's taxes imposed on property that the person owns in installments. Provides that if the governing body of a taxing unit adopts the installment-payment option under this subsection, Sections 31.032(b), (b-1), (c), and (d) (relating to certain payments on property taxes) apply to the payment by a person of the taxing unit's taxes imposed on property that the person owns in the same manner as those subsections apply to the payment of taxes imposed on property to which Section 31.032 applies.

(d) Requires the Comptroller of Public Accounts of the State of Texas to adopt rules to implement this section.

SECTION 3. Amends Section 33.08(b), Tax Code, as follows:

(b) Authorizes the governing body of the taxing unit or appraisal district, in the manner required by law for official action, to provide that taxes that become delinquent on or after June 1 under certain sections, including under Section 31.033, incur an additional penalty to defray costs of collection.

SECTION 4. Effective date: upon passage or September 1, 2021.