

SUBJECT: Allowing installment payments of taxes for certain properties in disaster

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 9 ayes — Meyer, Thierry, Button, Guerra, Murphy, Noble, Rodriguez,
Sanford, Shine

1 nay — Cole

1 absent — Martinez Fischer

SENATE VOTE: On final passage, April 8 — 30-0

WITNESSES: For — (*Registered, but did not testify*: Cheryl Johnson, Galveston County
Tax Office; Annie Spilman, NFIB; James LeBas, Texas Apartment
Association and TXOGA; Justin Bragiel, Texas Hotel and Lodging
Association; Julia Parenteau, Texas Realtors; Kelsey Streufert, Texas
Restaurant Association; Julie Campbell; Don Johnson)

Against — (*Registered, but did not testify*: Julie Wheeler, Travis County
Commissioners Court)

On — (*Registered, but did not testify*: Korry Castillo, Comptroller of
Public Accounts)

BACKGROUND: Tax Code sec. 31.032 allows a person to pay property taxes in four equal
installments without penalty or interest if the property was located in a
disaster area, had been damaged as a direct result of the disaster, and met
certain other qualifications.

Government Code sec. 433.001 allows the governor to proclaim a state of
emergency and designate the area involved. An emergency exists during a
riot or unlawful assembly of persons using force or violence, if a clear and
present danger of violence exists, or in situations involving a natural or
man-made disaster.

DIGEST: SB 742 would establish a local option for installment payments of taxes on certain business property located in a disaster area or emergency area that had not been damaged by the disaster or emergency. The governing body of a taxing unit could authorize a person to pay property taxes in installments for:

- real property owned or leased by a business that met the limit on gross receipts provided for installment payments on property damaged by a disaster under current law;
- tangible personal property owned or leased by such a business; and
- taxes imposed on the property by a taxing unit before the first anniversary of the disaster or emergency.

If the governing body adopted the installment payment option provided by the bill, provisions of current law governing installment payments would apply to the local option payments. The comptroller would have to adopt rules to implement the bill's provisions.

SB 742 also would expand the applicability of current law allowing certain persons to pay property taxes in equal installments if the property was damaged by a governor-declared disaster to include property damaged by a governor-declared emergency.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2021.

SUPPORTERS SAY: SB 742 would relieve some of the economic burdens of the COVID-19 pandemic on businesses by expanding the allowance of property tax installment plans for businesses in disaster areas. Current law allows a person to pay their taxes in equal installments during a disaster if the property had been damaged as a direct result of the disaster. However, this includes only the physical damage caused by a disaster and is not expansive enough to cover the economic damages caused by the pandemic. SB 742 would clarify that local governments could authorize a person to pay their property taxes in installments during a disaster even if

the property had not been directly damaged by the disaster. This would provide local governments with case-by-case discretion on approving installment payments when appropriate and could provide some relief to businesses affected by the pandemic and ensuing economic downturn. The bill also would clarify that properties damaged by a governor-declared emergency could pay taxes in installments.

While some have expressed concerns that the bill would have a fiscal impact on local governments, the installment payment option would be at the discretion of each locality.

**CRITICS
SAY:**

By authorizing an installment payment option for more properties, even those not damaged by a disaster, SB 742 would open the option for many more businesses and impact local governments' cash flow. Local governments rely on property tax revenues to provide services and need to know their revenue at the beginning of the year. This is especially important for cities and counties during a time of disaster or emergency. Also, some consolidated taxing units may group certain administrative processes together, so if one unit within a consolidated group adopted the option and others did not, it could lead to more administrative issues.