

## **BILL ANALYSIS**

Senate Research Center

S.B. 742  
By: Birdwell  
Finance  
5/27/2021  
Enrolled

### **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.

(Original Author's / Sponsor's Statement of Intent)

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

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the Comptroller of Public Accounts of the State of Texas in SECTION 4 (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 OR EMERGENCY AREA THAT HAS BEEN DAMAGED AS A RESULT OF DISASTER OR EMERGENCY.

SECTION 2. Amends Section 31.032(a), Tax Code, as follows:

(a) Provides that this section applies only to:

- (1) certain real property including real property that is located in an emergency area and has not been damaged as a direct result of the emergency;
- (2) makes no changes to this subdivision; and
- (3) taxes that are imposed on the property by a taxing unit before the first anniversary of the disaster or emergency, rather than before the first anniversary of the disaster.

SECTION 3. Amends Section 31.032(g), Tax Code, by adding Subdivisions (3) and (4) to define "emergency" and "emergency area" in Section 31.032.

SECTION 4. Amends Chapter 31, Tax Code, by adding Section 31.033, as follows:

Sec. 31.033. INSTALLMENT PAYMENTS OF TAXES ON PROPERTY IN DISASTER AREA OR EMERGENCY AREA THAT HAS NOT BEEN DAMAGED AS A RESULT OF DISASTER OR EMERGENCY. (a) Defines, in this section, "disaster," "disaster area," "emergency," and "emergency 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 a certain limit 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 or emergency area; and

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

(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 or emergency.

(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 provisions applicable to installment payments on property taxes in disaster or emergency area) 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 5. 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 6. Effective date: upon passage or September 1, 2021.