

BILL ANALYSIS

Senate Research Center
87R5079 SRA-D

S.B. 902
By: Perry
Finance
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The law of successor liability requires the purchaser of a business to withhold an amount of the business's purchase price sufficient to pay the seller's unpaid taxes, or to pay those taxes using the purchaser's own funds if the required amount is not withheld.

Under current law, the duration of the purchaser's successor liability is uncertain because the statute of limitations begins to run on the later of the closing date of the sale or the date the Comptroller of Public Accounts of the State of Texas (comptroller) makes a tax determination against the former owner. The ending date for the successor liability is governed by the general statutes of limitations for assessing and collecting taxes under the Tax Code. Those statutes of limitations may be tolled or extended based on the circumstances surrounding the former owner's tax liability, so the purchaser may not be able to determine the ending date of his or her successor liability with certainty (unless the purchaser requests and receives a certificate that no tax is due from the comptroller, which is unaffected by this bill).

S.B. 902 adds Section 111.020(e-1) to the Tax Code to provide that the purchaser's successor liability may not be enforced after three years from the later of the date of the sale of the business or the date the comptroller makes a tax determination against the former owner.

Bill Summary:

S.B. 902 gives business purchasers more certainty about when their successor liability ends by establishing an ending date for enforcing successor liability of three years after the later of the date of sale of the business or the date the comptroller makes a tax determination against the former owner.

As proposed, S.B. 902 amends current law relating to the period during which a purchaser's successor liability for taxes owed by the seller of a business may be enforced.

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 111.020, Tax Code, by adding Subsection (e-1) to prohibit an obligation of a purchaser under Section 111.020 (Tax Collection on Termination of Business), notwithstanding Section 111.201 (Assessment Limitation) or another period of limitation provided under Title 2 (State Taxation), from being enforced after three years from the later of the events described by Subsection (e) (relating to when a period of limitation during which the obligation of a purchaser may be enforced begins).

SECTION 2. Effective date: September 1, 2021.