

BILL ANALYSIS

H.B. 2255

By: Flores

Local Government Ways and Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Under current law rollback taxes on property previously granted an agricultural use exemption are due on February 1st as provided by law for ad valorem taxes. After this date the taxes become delinquent and receive penalty charges and incur interest. Due to this specified deadline there is a brief window of opportunity for owners not willing to pay the rollback taxes to sell their property and bestow upon an unsuspecting buyer not only the rollback taxes but also the likelihood of those taxes becoming delinquent. The buyer usually finds out about the rollback taxes only after they become delinquent and are notified by way of a delinquent notice or when they apply for a mortgage or sell the property and a tax certificate and title policy is required.

Likewise, because the taxing entity cannot demand payment of the rollback taxes until February 1st, when they become delinquent, under current law a roll back tax may remain unpaid for over twelve months without incurring penalty and interest. Because the roll back bill is not delinquent, this limits the ability of the taxing unit to recover deferred taxes on property previously granted an agricultural use exemption.

H.B. 2255 deletes the February 1st deadline and instead imposes a deadline that requires the property owner to pay the rollback taxes on the first day of the next month giving them a period of at least 21 days after the mailing of the bill.

By altering this deadline three benefits will be gained: 1) The consumer of subdivision lots would not be forced to pay rollback taxes on a subdivision that has been sold prior to the date that the developer has to pay rollback taxes; 2) The consumer would be able to purchase title insurance and assure themselves of clear titles on purchases of lots where the land was previously under agricultural use and is subject to rollback taxes; and 3) The taxing entities collecting rollback taxes would be able to recover taxes owed to them much faster.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

SECTION 1. Amends Section 23.46 (c), Tax Code, as follows:

(c) Deletes a provision of the Tax Code making February 1st the deadline for payment on rollback taxes and replaces it with a deadline that expires on the first day of the next month that will provide the tax recipient with 21 days after the date the bill was mailed to pay the tax.

SECTION 2. Amends Section 23.55 (e), Tax Code, as follows:

(e) Deletes a provision of the Tax Code making February 1st the deadline for payment on rollback tax and replaces it with a deadline that expires on the first day of the month that will provide the tax recipient 21 days after the date the bill was mailed to pay the tax.

SECTION 3. Effective date: January 1, 2004. Application of the act. Provides this section only applies to additional taxes imposed under Section 23.46 or 23.55, Tax Code, issued or renewed on or after January 1, 2004.

EFFECTIVE DATE

January 1, 2004.