

BILL ANALYSIS

C.S.H.B. 2990
By: Canales
Defense & Veterans' Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Current law authorizes taxing units to assess penalties to defray collection costs on delinquent taxes. Interested parties contend that current penalties for property tax delinquencies may place an undue hardship on disabled veterans who have served the country. C.S.H.B. 2990 seeks to alleviate the financial burden endured by those military servicemen and women by limiting the amount taxing units can charge in defrayed collection costs.

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

C.S.H.B. 2990 amends the Tax Code to cap the amount of an additional penalty assessed by a taxing unit or appraisal district to defray the cost of collecting taxes due before June 1 that remain delinquent on July 1, if the property owner is a disabled veteran and the property is the veteran's residence homestead, at the lesser of the amount of the compensation specified in a contract with an attorney representing the unit or district to be paid in connection with the enforcement of the collection of delinquent taxes or an amount equal to a specified percentage of the amount of delinquent taxes for which the additional penalty is incurred. The bill specifies that such a percentage is six percent if the taxes remain delinquent on July 1 of the tax year in which the penalty is incurred; 15 percent if the taxes remain delinquent on July 1 of the first tax year after the tax year in which the penalty is incurred; or 20 percent if the taxes remain delinquent on July 1 of the second tax year after the tax year in which the penalty is incurred.

C.S.H.B. 2990 caps the amount of the additional penalty to defray costs of collection for specified taxes due on or after June 1 that become delinquent on or after June 1, if the property owner is a disabled veteran and the property is the veteran's residence homestead, at the lesser of the amount of the compensation specified in the applicable contract with the attorney representing a unit or district to be paid in connection with the enforcement of the collection of delinquent taxes or an amount equal to a percentage of the amount of delinquent taxes for which the additional penalty is incurred. The bill specifies that such a percentage is six percent if the taxes remain delinquent on the date the penalty is incurred; 15 percent if the taxes remain delinquent on the first anniversary of the date the penalty is incurred; or 20 percent if the taxes remain delinquent on the second anniversary of the date the penalty is incurred.

C.S.H.B. 2990 caps the amount of the early additional penalty to defray costs of collection for taxes imposed on personal property that become delinquent on or after February 1, if the property owner is a disabled veteran and the property is the veteran's residence homestead, at the lesser of the amount of the compensation specified in the contract with the attorney representing the taxing unit to be paid in connection with the collection of the delinquent taxes or an amount equal to a specified percentage of the amount of delinquent taxes for which the additional penalty is incurred. The bill specifies that such a percentage is six percent if the taxes remain

delinquent on the date the penalty is incurred; 15 percent if the taxes remain delinquent on the first anniversary of the date the penalty is incurred; or 20 percent if the taxes remain delinquent on the second anniversary of the date the penalty is incurred.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2013.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 2990 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and highlighted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

SECTION 1. Section 33.07, Tax Code, is amended by amending Subsection (a) and adding Subsections (e) and (f) to read as follows:

(a) A taxing unit or appraisal district may provide, in the manner required by law for official action by the body, that taxes that become delinquent on or after February 1 of a year but not later than May 1 of that year and that remain delinquent on July 1 of the year in which they become delinquent incur an additional penalty to defray costs of collection, if the unit or district or another unit that collects taxes for the unit has contracted with an attorney pursuant to Section 6.30. Except as provided by Subsection (e), the [The] amount of the penalty may not exceed the amount of the compensation specified in the contract with the attorney to be paid in connection with the collection of the delinquent taxes.

(e) If the property owner is a **veteran**, the amount of the additional penalty may not exceed the lesser of:

(1) the amount of the penalty prescribed by Subsection (a); or

(2) an amount equal to **five percent** of the amount of the delinquent taxes for which the additional penalty is incurred.

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Section 33.07, Tax Code, is amended by amending Subsection (a) and adding Subsections (e) and (f) to read as follows:

(a) A taxing unit or appraisal district may provide, in the manner required by law for official action by the body, that taxes that become delinquent on or after February 1 of a year but not later than May 1 of that year and that remain delinquent on July 1 of the year in which they become delinquent incur an additional penalty to defray costs of collection, if the unit or district or another unit that collects taxes for the unit has contracted with an attorney pursuant to Section 6.30. Except as provided by Subsection (e), the [The] amount of the penalty may not exceed the amount of the compensation specified in the contract with the attorney to be paid in connection with the collection of the delinquent taxes.

(e) If the property owner is a **disabled veteran and the property is the veteran's residence homestead**, the amount of the additional penalty may not exceed the lesser of:

(1) the amount of the penalty prescribed by Subsection (a); or

(2) an amount equal to the **applicable percentage** of the amount of the delinquent taxes for which the additional penalty is incurred, as follows:

(A) **six percent** if the taxes remain delinquent on July 1 of the tax year in which the penalty is incurred;

(B) **15 percent** if the taxes remain delinquent on July 1 of the first tax year after the tax year in which the penalty is

(f) In this section, "veteran" means an individual who:

(1) served not less than 90 days, unless sooner discharged by reason of a service-connected disability, on active duty in the Army, Navy, Air Force, Coast Guard, United States Public Health Service as constituted under 42 U.S.C. Section 201 et seq., or Marine Corps of the United States after September 16, 1940, and who has not been dishonorably discharged from the branch of the service in which the person served;

(2) has at least 20 years of active or reserve military service as computed when determining the person's eligibility to receive retired pay under applicable federal law; or

(3) has enlisted or received an appointment in the Texas National Guard, who has completed all initial active duty training required as a condition of the enlistment or appointment, and who has not been dishonorably discharged from the Texas National Guard.

SECTION 2. Section 33.08, Tax Code, is amended by amending Subsection (b) and adding Subsection (f) to read as follows:

(b) The governing body of the taxing unit or appraisal district, in the manner required by law for official action, may provide that taxes that become delinquent on or after June 1 under Section 26.07(f), 26.15(e), 31.03, 31.031, 31.032, 31.04, or 42.42 incur an additional penalty to defray costs of collection. Except as provided by Subsection (f), the [The] amount of the penalty may not exceed the amount of the compensation specified in the applicable contract with an attorney under Section 6.30 to be paid in connection with the collection of the delinquent taxes.

(f) In this subsection, "veteran" has the meaning assigned by Section 33.07(f). If the property owner is a veteran, the amount of the additional penalty may not exceed the lesser of:

incurred; or

(C) 20 percent if the taxes remain delinquent on July 1 of the second tax year after the tax year in which the penalty is incurred.

(f) In this section:

(1) "Disabled veteran" has the meaning assigned by Section 11.22.

(2) "Residence homestead" has the meaning assigned by Section 11.13.

SECTION 2. Section 33.08, Tax Code, is amended by amending Subsection (b) and adding Subsections (f) and (g) to read as follows:

(b) The governing body of the taxing unit or appraisal district, in the manner required by law for official action, may provide that taxes that become delinquent on or after June 1 under Section 26.07(f), 26.15(e), 31.03, 31.031, 31.032, 31.04, or 42.42 incur an additional penalty to defray costs of collection. Except as provided by Subsection (f), the [The] amount of the penalty may not exceed the amount of the compensation specified in the applicable contract with an attorney under Section 6.30 to be paid in connection with the collection of the delinquent taxes.

(f) If the property owner is a disabled veteran and the property is the veteran's residence homestead, the amount of the additional penalty may not exceed the lesser of:

- (1) the amount of the penalty prescribed by Subsection (b); or
- (2) an amount equal to five percent of the amount of the delinquent taxes for which the additional penalty is incurred.

SECTION 3. Section 33.11, Tax Code, is amended by amending Subsection (c) and adding Subsection (h) to read as follows:

(c) Except as provided by Subsection (h), the [The] amount of the penalty may not exceed the amount of the compensation specified in the contract with the attorney to be paid in connection with the collection of the delinquent taxes.

(h) In this subsection, "veteran" has the meaning assigned by Section 33.07(f). If the property owner is a veteran, the amount of the additional penalty may not exceed the lesser of:

- (1) the amount of the penalty prescribed by Subsection (c); or
- (2) an amount equal to five percent of the amount of the delinquent taxes for which the additional penalty is incurred.

- (1) the amount of the penalty prescribed by Subsection (b); or
- (2) an amount equal to the applicable percentage of the amount of the delinquent taxes for which the additional penalty is incurred, as follows:

(A) six percent if the taxes remain delinquent on the date the penalty is incurred as provided by Subsection (c);

(B) 15 percent if the taxes remain delinquent on the first anniversary of the date the penalty is incurred as provided by Subsection (c); or

(C) 20 percent if the taxes remain delinquent on the second anniversary of the date the penalty is incurred as provided by Subsection (c).

(g) In this section:

(1) "Disabled veteran" has the meaning assigned by Section 11.22.

(2) "Residence homestead" has the meaning assigned by Section 11.13.

SECTION 3. Section 33.11, Tax Code, is amended by amending Subsection (c) and adding Subsections (h) and (i) to read as follows:

(c) Except as provided by Subsection (h), the [The] amount of the penalty may not exceed the amount of the compensation specified in the contract with the attorney to be paid in connection with the collection of the delinquent taxes.

(h) If the property owner is a disabled veteran and the property is the veteran's residence homestead, the amount of the additional penalty may not exceed the lesser of:

- (1) the amount of the penalty prescribed by Subsection (c); or
- (2) an amount equal to the applicable percentage of the amount of the delinquent taxes for which the additional penalty is incurred, as follows:

(A) six percent if the taxes remain delinquent on the date the penalty is incurred as provided by Subsection (b);

(B) 15 percent if the taxes remain delinquent on the first anniversary of the date the penalty is incurred as provided by Subsection (b); or

(C) 20 percent if the taxes remain

delinquent on the second anniversary of the date the penalty is incurred as provided by Subsection (b).

(i) In this section:

(1) "Disabled veteran" has the meaning assigned by Section 11.22.

(2) "Residence homestead" has the meaning assigned by Section 11.13.

SECTION 4. The changes in law made by this Act apply only to the additional penalty on taxes that become delinquent on or after the effective date of this Act.

SECTION 4. Same as introduced version.

SECTION 5. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2013.

SECTION 5. Same as introduced version.