

By: Campbell

S.B. No. 2198

A BILL TO BE ENTITLED

AN ACT

relating to interest that accrues under the Property Tax Code.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 1, Tax Code, is amended by adding Sections 1.13 and 1.14 to read as follows:

Sec. 1.13. INTEREST RATE. (a) Except as otherwise provided by this title, for purposes of a provision of this title providing for the accrual of interest, interest accrues during a calendar year at an annual rate equal to the lesser of:

(1) 12 percent; or

(2) the sum of two percent and the prime rate quoted and published by the Federal Reserve Board on the first business day of the calendar year for which interest is being calculated.

(b) Interest that accrues at an annual rate determined under Subsection (a) must be computed as simple interest for each calendar year or part of a calendar year in which the interest accrues. If interest accrues in more than one calendar year, the total amount of interest that accrues is equal to the sum of the interest that accrues in each calendar year for which the interest is calculated.

(c) The comptroller shall post and maintain on the comptroller's Internet website the interest rate determined under Subsection (a) for each calendar year.

Sec. 1.14. WAIVER OF INTEREST BY AGREEMENT. (a)

1 Notwithstanding any other provision of this title, the parties to a  
2 motion, effort, or appeal described by this subsection may agree to  
3 waive or reduce the interest that accrues on a tax, penalty, or  
4 refund regarding property that is the subject of:

5 (1) a motion to correct an error in the appraisal roll  
6 under Section 25.25;

7 (2) an effort to collect a delinquent tax under  
8 Chapter 33, including a suit to collect a delinquent tax under that  
9 chapter; or

10 (3) an appeal under Chapter 42.

11 (b) An agreement to waive or reduce interest under this  
12 section must:

13 (1) be in writing;

14 (2) be signed by the parties to the motion, effort, or  
15 appeal; and

16 (3) if the agreement regards property that is the  
17 subject of a suit to collect a delinquent tax under Chapter 33 or an  
18 appeal under Chapter 42, be signed by the parties before the date  
19 the court in which the suit or appeal is pending issues an order  
20 that includes the interest as part of a judgment against any party  
21 to the suit.

22 (c) A district court in a suit filed under Chapter 33 or an  
23 appeal filed under Chapter 42 may waive or reduce interest that has  
24 accrued as part of a final judgment to the extent the interest is  
25 waived or reduced by an agreement under this section.

26 SECTION 2. Section 11.135(c), Tax Code, is amended to read  
27 as follows:

1           (c) If an owner receives an exemption for property under  
2 Section 11.13 under the circumstances described by Subsection (a)  
3 and sells the property before the owner completes construction of a  
4 replacement qualified residential structure on the property, an  
5 additional tax is imposed on the property equal to the difference  
6 between the taxes imposed on the property for each of the years in  
7 which the owner received the exemption and the tax that would have  
8 been imposed had the owner not received the exemption in each of  
9 those years, plus interest as provided by Section 1.13 [~~at an annual~~  
10 ~~rate of seven percent~~] calculated from the dates on which the  
11 differences would have become due.

12           SECTION 3. Section 11.181(e), Tax Code, is amended to read  
13 as follows:

14           (e) If the organization that owns improved or unimproved  
15 real property that has been exempted under Subsection (a) sells the  
16 property to a person other than an individual or family satisfying  
17 the organization's low-income or other eligibility requirements, a  
18 penalty is imposed on the property equal to the amount of the taxes  
19 that would have been imposed on the property in each tax year that  
20 the property was exempted from taxation under Subsection (a), plus  
21 interest as provided by Section 1.13 [~~at an annual rate of 12~~  
22 ~~percent~~] calculated from the dates on which the taxes would have  
23 become due.

24           SECTION 4. Section 11.185(e), Tax Code, is amended to read  
25 as follows:

26           (e) If the organization that owns improved or unimproved  
27 real property that has been exempted under Subsection (a) sells the

1 property to a person other than a person described by Section  
2 2306.786(b)(1), Government Code, a penalty is imposed on the  
3 property equal to the amount of the taxes that would have been  
4 imposed on the property in each tax year that the property was  
5 exempted from taxation under Subsection (a), plus interest as  
6 provided by Section 1.13 of this code [~~at an annual rate of 12~~  
7 ~~percent~~] computed from the dates on which the taxes would have  
8 become due.

9 SECTION 5. Section 11.201(a), Tax Code, is amended to read  
10 as follows:

11 (a) If land is sold or otherwise transferred to another  
12 person in a year in which the land receives an exemption under  
13 Section 11.20(a)(6), an additional tax is imposed on the land equal  
14 to the tax that would have been imposed on the land had the land been  
15 taxed for each of the five years preceding the year in which the  
16 sale or transfer occurs in which the land received an exemption  
17 under that subdivision [~~subsection~~], plus interest as provided by  
18 Section 1.13 [~~at an annual rate of seven percent~~] calculated from  
19 the dates on which the taxes would have become due.

20 SECTION 6. Section 23.46(c), Tax Code, is amended to read as  
21 follows:

22 (c) If land that has been designated for agricultural use in  
23 any year is sold or diverted to a nonagricultural use, the total  
24 amount of additional taxes for the three years preceding the year in  
25 which the land is sold or diverted, plus interest as [~~at the rate~~]  
26 provided by Section 1.13, [~~for delinquent taxes~~] becomes due.  
27 Subject to Subsection (f), a determination that the land has been

1 diverted to a nonagricultural use is made by the chief appraiser.  
2 For purposes of this subsection, the chief appraiser may not  
3 consider any period during which land is owned by the state in  
4 determining whether the land has been diverted to a nonagricultural  
5 use. The chief appraiser shall deliver a notice of the  
6 determination to the owner of the land as soon as possible after  
7 making the determination and shall include in the notice an  
8 explanation of the owner's right to protest the determination. If  
9 the owner does not file a timely protest or if the final  
10 determination of the protest is that the additional taxes are due,  
11 the assessor for each taxing unit shall prepare and deliver a bill  
12 for the additional taxes plus interest as soon as practicable after  
13 the change of use occurs. If the additional taxes are due because  
14 of a sale of the land, the assessor for each taxing unit shall  
15 prepare and deliver the bill as soon as practicable after the sale  
16 occurs. The taxes and interest are due and become delinquent and  
17 incur penalties and interest as provided by law for ad valorem taxes  
18 imposed by the taxing unit if not paid before the next February 1  
19 that is at least 20 days after the date the bill is delivered to the  
20 owner of the land.

21 SECTION 7. Section [23.55](#)(a), Tax Code, is amended to read as  
22 follows:

23 (a) If the use of land that has been appraised as provided by  
24 this subchapter changes, an additional tax is imposed on the land  
25 equal to the difference between the taxes imposed on the land for  
26 each of the five years preceding the year in which the change of use  
27 occurs that the land was appraised as provided by this subchapter

1 and the tax that would have been imposed had the land been taxed on  
2 the basis of market value in each of those years, plus interest as  
3 provided by Section 1.13 [~~at an annual rate of seven percent~~]  
4 calculated from the dates on which the differences would have  
5 become due. For purposes of this subsection, the chief appraiser  
6 may not consider any period during which land is owned by the state  
7 in determining whether a change in the use of the land has occurred.

8 SECTION 8. Section 23.76(a), Tax Code, is amended to read as  
9 follows:

10 (a) If the use of land that has been appraised as provided by  
11 this subchapter changes, an additional tax is imposed on the land  
12 equal to the difference between the taxes imposed on the land for  
13 each of the five years preceding the year in which the change of use  
14 occurs that the land was appraised as provided by this subchapter  
15 and the tax that would have been imposed had the land been taxed on  
16 the basis of market value in each of those years, plus interest as  
17 provided by Section 1.13 [~~at an annual rate of seven percent~~]  
18 calculated from the dates on which the differences would have  
19 become due.

20 SECTION 9. Section 23.86(a), Tax Code, is amended to read as  
21 follows:

22 (a) If land that has been appraised under this subchapter is  
23 no longer subject to a deed restriction or is diverted to a use  
24 other than recreational, park, or scenic uses, an additional tax is  
25 imposed on the land equal to the difference between the taxes  
26 imposed on the land for each of the five years preceding the year in  
27 which the change of use occurs or the deed restriction expires that

1 the land was appraised as provided by this subchapter and the tax  
2 that would have been imposed had the land not been restricted to  
3 recreational, park, or scenic uses in each of those years, plus  
4 interest as provided by Section 1.13 [~~at an annual rate of seven~~  
5 ~~percent~~] calculated from the dates on which the differences would  
6 have become due.

7 SECTION 10. Section 23.96(a), Tax Code, is amended to read  
8 as follows:

9 (a) If airport property that has been appraised under this  
10 subchapter is no longer subject to a deed restriction, an  
11 additional tax is imposed on the property equal to the difference  
12 between the taxes imposed on the property for each of the five years  
13 preceding the year in which the deed restriction expires that the  
14 property was appraised as provided by this subchapter and the tax  
15 that would have been imposed had the property not been restricted to  
16 use as public access airport property in each of those years, plus  
17 interest as provided by Section 1.13 [~~at an annual rate of seven~~  
18 ~~percent~~] calculated from the dates on which the differences would  
19 have become due.

20 SECTION 11. Sections 23.9807(a) and (b), Tax Code, are  
21 amended to read as follows:

22 (a) If the use of land that has been appraised as provided by  
23 this subchapter changes to a use that qualifies the land for  
24 appraisal under Subchapter E, an additional tax is imposed on the  
25 land equal to the sum of:

- 26 (1) the difference between:  
27 (A) the taxes imposed on the land for each of the

1 five years preceding the year in which the change of use occurs that  
2 the land was appraised as provided by this subchapter; and

3 (B) the taxes that would have been imposed had  
4 the land been appraised under Subchapter E in each of those years;  
5 and

6 (2) interest as provided by Section 1.13 [~~at an annual~~  
7 ~~rate of seven percent~~] calculated from the dates on which the  
8 differences would have become due.

9 (b) If the use of land that has been appraised as provided by  
10 this subchapter changes to a use that does not qualify the land for  
11 appraisal under Subchapter E or under this subchapter, an  
12 additional tax is imposed on the land equal to the sum of:

13 (1) the difference between:

14 (A) the taxes imposed on the land for each of the  
15 five years preceding the year in which the change of use occurs that  
16 the land was appraised as provided by this subchapter; and

17 (B) the taxes that would have been imposed had  
18 the land been taxed on the basis of market value in each of those  
19 years; and

20 (2) interest as provided by Section 1.13 [~~at an annual~~  
21 ~~rate of seven percent~~] calculated from the dates on which the  
22 differences would have become due.

23 SECTION 12. Section 26.09(d), Tax Code, is amended to read  
24 as follows:

25 (d) If a property is subject to taxation for a prior year in  
26 which it escaped taxation, the assessor shall calculate the tax for  
27 each year separately. In calculating the tax, the assessor shall



1 use the assessment ratio and tax rate in effect in the unit for the  
2 year for which back taxes are being imposed. Except as provided by  
3 Subsection (d-1), the amount of back taxes due incurs interest  
4 calculated as [~~at the rate~~] provided by Section 1.13 [~~33.01(c)~~]  
5 from the date the tax would have become delinquent had the tax been  
6 imposed in the proper tax year.

7 SECTION 13. Section 31.12(a), Tax Code, is amended to read  
8 as follows:

9 (a) If a refund of a tax provided by Section 11.431(b),  
10 26.07(g), 26.15(f), 31.11, or 31.111 is paid on or before the 60th  
11 day after the date the liability for the refund arises, no interest  
12 is due on the amount refunded. If not paid on or before that 60th  
13 day, the amount of the tax to be refunded accrues interest as  
14 provided by Section 1.13 [~~at a rate of one percent for each month or~~  
15 ~~part of a month that the refund is unpaid~~], beginning with the date  
16 on which the liability for the refund arises.

17 SECTION 14. Section 33.01(c), Tax Code, is amended to read  
18 as follows:

19 (c) A delinquent tax accrues interest as provided by Section  
20 1.13 [~~at a rate of one percent for each month or portion of a month~~  
21 ~~the tax remains unpaid~~]. Interest payable under this section is to  
22 compensate the taxing unit for revenue lost because of the  
23 delinquency. A delinquent tax continues to accrue interest under  
24 this subsection as long as the tax remains unpaid, regardless of  
25 whether a judgment for the delinquent tax has been rendered.

26 SECTION 15. Section 33.06(d), Tax Code, is amended to read  
27 as follows:

1 (d) A tax lien remains on the property and interest  
2 continues to accrue during the period collection of taxes is  
3 deferred or abated under this section. Interest accrues [~~The~~  
4 ~~annual interest rate~~] during the deferral or abatement period as  
5 provided by Section 1.13 [~~is eight percent instead of the rate~~  
6 ~~provided by Section 33.01~~]. Interest and penalties that accrued or  
7 that were incurred or imposed under Section 33.01 or 33.07 before  
8 the date the individual files the deferral affidavit under  
9 Subsection (b) or the date the judgment abating the suit is entered,  
10 as applicable, are preserved. A penalty under Section 33.01 is not  
11 incurred during a deferral or abatement period. The additional  
12 penalty under Section 33.07 may be imposed and collected only if the  
13 taxes for which collection is deferred or abated remain delinquent  
14 on or after the 181st day after the date the deferral or abatement  
15 period expires. A plea of limitation, laches, or want of  
16 prosecution does not apply against the taxing unit because of  
17 deferral or abatement of collection as provided by this section.

18 SECTION 16. Section 33.065(g), Tax Code, is amended to read  
19 as follows:

20 (g) A tax lien remains on the property and interest  
21 continues to accrue during the period collection of delinquent  
22 taxes is deferred or abated under this section. Interest accrues  
23 [~~The annual interest rate~~] during the deferral or abatement period  
24 as provided by Section 1.13 [~~is eight percent instead of the rate~~  
25 ~~provided by Section 33.01~~]. Interest and penalties that accrued or  
26 that were incurred or imposed under Section 33.01 or 33.07 before  
27 the date the individual files the deferral affidavit under

1 Subsection (c) or the date the judgment abating the suit is entered,  
2 as applicable, are preserved. A penalty is not incurred on the  
3 delinquent taxes for which collection is deferred or abated during  
4 a deferral or abatement period. The additional penalty under  
5 Section 33.07 may be imposed and collected only if the delinquent  
6 taxes for which collection is deferred or abated remain delinquent  
7 on or after the 91st day after the date the deferral or abatement  
8 period expires. A plea of limitation, laches, or want of  
9 prosecution does not apply against the taxing unit because of  
10 deferral or abatement of collection as provided by this section.

11 SECTION 17. Sections 42.42(c) and (d), Tax Code, are  
12 amended to read as follows:

13 (c) If the final determination of an appeal occurs after the  
14 property owner has paid a portion of the tax finally determined to  
15 be due as required by Section 42.08, the assessor for each affected  
16 taxing unit shall prepare and mail a supplemental tax bill in the  
17 form and manner prescribed by Subsection (b). The additional tax is  
18 due and becomes delinquent as provided by Subsection (b), but the  
19 property owner is liable for penalties [~~and interest~~]  
20 included in the supplemental bill calculated as provided by Section  
21 33.01 and interest on the tax included in the supplemental bill  
22 calculated as provided by Section 1.13 as if the tax included in the  
23 supplemental bill became delinquent on the original delinquency  
24 date prescribed by Chapter 31.

25 (d) If the property owner did not pay any portion of the  
26 taxes imposed on the property because the court found that payment  
27 would constitute an unreasonable restraint on the owner's right of

1 access to the courts as provided by Section 42.08(d), after the  
2 final determination of the appeal the assessor for each affected  
3 taxing unit shall prepare and mail a supplemental tax bill in the  
4 form and manner prescribed by Subsection (b). The additional tax is  
5 due and becomes delinquent as provided by Subsection (b), but the  
6 property owner is liable for interest on the tax included in the  
7 supplemental bill calculated as provided by Section 1.13 [~~33.01~~] as  
8 if the tax included in the supplemental bill became delinquent on  
9 the delinquency date prescribed by Chapter 31.

10 SECTION 18. The comptroller shall post and maintain on the  
11 comptroller's Internet website as required by Section 1.13(c), Tax  
12 Code, as added by this Act, the interest rates determined under  
13 Section 1.13(a), Tax Code, as added by this Act, beginning with the  
14 2018 calendar year.

15 SECTION 19. The changes in law made by this Act apply only  
16 to interest that accrues on or after the effective date of this Act.  
17 Interest that accrued before the effective date of this Act is  
18 governed by the law in effect when the interest accrued, and that  
19 law is continued in effect for that purpose.

20 SECTION 20. This Act takes effect September 1, 2017.