

BILL ANALYSIS

C.S.H.B. 1258

By: Ashby

Pensions, Investments & Financial Services
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The comptroller of public accounts is the state agency tasked with enforcing the collection of state taxes. If a taxpayer fails to properly collect, report, and remit taxes to the state, certain enforcement actions may be taken to collect the past due amounts. Following attempts to resolve a tax delinquency by mail, phone, or field visits, the comptroller may seek to freeze bank accounts associated with the taxpayer. If no bank account is known, the comptroller will send freeze requests to financial institutions in proximity to the taxpayer's location. In fiscal year 2019, the comptroller issued more than 67,000 freeze requests but was successful in freezing accounts and levying delinquent taxes for less than one-third of the requests. C.S.H.B. 1258 seeks to streamline the process by which the comptroller issues freeze requests by establishing a data sharing system with financial institutions to facilitate the matching of delinquent taxpayer information with financial institution depositor records in an effort to identify accounts owned by delinquent taxpayers.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the comptroller of public accounts in SECTION 1 of this bill.

ANALYSIS

C.S.H.B. 1258 amends the Tax Code to require an applicable financial institution to exchange data each calendar quarter with the comptroller of public accounts or the comptroller's agent to facilitate matching the names of individuals who are delinquent in a comptroller-administered tax or fee with the names of account holders using one of the following methods:

- an all accounts method in which the financial institution submits an electronic file listing all its open accounts and account owner records and the comptroller or the comptroller's agent compares that information with its records of delinquent taxpayers; or
- a matched accounts method in which the financial institution submits an electronic file listing all account owner records that match information in an inquiry file sent by the comptroller or comptroller's agent to the institution.

The bill requires the comptroller to make a data match request compatible with the financial institution's data processing system.

C.S.H.B. 1258 prohibits the comptroller from requesting a financial institution to perform a data match more than once each calendar quarter and prohibits the institution from notifying account holders that the comptroller has requested a data match or whether a data match has been made. Any information provided by or to a financial institution, the comptroller, or the comptroller's

agent for the purpose of performing a data match is confidential and may not be used for any purpose or disclosed to any person except as necessary to perform the match.

C.S.H.B. 1258 requires the financial institution, the comptroller, and the comptroller's agent to return, destroy, or erase any information obtained after completion of the data match. A financial institution is not liable to any person for disclosing information to the comptroller for data matching purposes or for committing any other action in good faith to comply with the bill's provisions.

C.S.H.B. 1258 authorizes the comptroller to contract with a third party to facilitate the implementation of the bill's provisions and authorizes the contractor to use confidential information solely for that purpose. The bill requires that a suit to enforce the bill's provisions be brought by the attorney general in the name of the state in Travis County. The bill authorizes the comptroller to adopt rules to implement the bill's provisions.

EFFECTIVE DATE

September 1, 2021.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 1258 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute revises the definition of "financial institution" set out in the introduced version to exclude an institution-affiliated party and an institution-affiliated party of a credit union.