

BILL ANALYSIS

S.B. 742
By: Birdwell
Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The COVID-19 pandemic has severely impacted a number of businesses throughout the state. Currently, the Tax Code permits a business that has been damaged as a direct result of a disaster to pay its property taxes in installments. Many business owners have reported that taxing units are unwilling to authorize installment plans for businesses adversely affected by COVID-19 because the pandemic did not cause actual damage to the businesses' property. S.B. 742 seeks to address this ambiguity by clarifying that installment plans are available for businesses in disaster areas even if those businesses have not been damaged as a direct result of the disaster. Given the difficulty in evaluating the negative impacts incurred from nonphysical, economic damage, the bill affords taxing units case-by-case discretion on approving installment payments in these scenarios.

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 4 of this bill.

ANALYSIS

S.B. 742 amends the Tax Code to extend the authorization to pay a taxing unit's taxes imposed on property damaged as a result of a disaster in four equal installments to property located in an emergency area that has been damaged as a direct result of the emergency. The bill defines "emergency" as a state of emergency proclaimed by the governor and defines "emergency area" as an area designated by the governor to be affected by such an emergency.

S.B. 742 establishes a local option for installment payments of taxes on business property located in a disaster area or emergency area that has not been damaged as a result of the disaster or emergency. The bill authorizes the governing body of a taxing unit to authorize a person to pay the taxing unit's taxes imposed on property that the person owns in installments with respect to the following:

- real property that:
 - is owned or leased by a business entity that had not more than the adjusted limit on gross receipts specified for purposes of installment payments for property damaged by a disaster or emergency in the entity's most recent federal tax year or state franchise tax annual period, according to the applicable federal income tax return or state franchise tax report of the entity;
 - is located in a disaster area or emergency area; and
 - has not been damaged as a direct result of the disaster or emergency;

- tangible personal property that is owned or leased by such a business entity; and
- taxes that are imposed on the property by a taxing unit before the first anniversary of the disaster or emergency.

If the governing body of a taxing unit adopts the installment-payment option, Tax Code provisions governing installment payments of taxes on damaged property in a disaster area or emergency area apply to payments of the taxing unit's taxes imposed on undamaged property in such an area in the same manner as those provisions would apply to tax payments for damaged property. The bill requires the comptroller of public accounts to adopt rules to implement the bill's provisions relating to installment payments of taxes on undamaged property in a disaster area or emergency area.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2021.