

## **BILL ANALYSIS**

C.S.H.B. 3481  
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Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Texas has a long history of protecting wages from debt collection. The Texas Constitution established wage protections in 1876 and maintains some of the strongest laws to protect the property of delinquent judgment debtors. However, it is possible that a person could lose all of their income and savings if an old debt judgment arises, causing that person to be unable to cover basic living expenses and to default on current loans. Also, some exempt funds, such as child support and spousal support, are not easily identifiable and are often frozen or seized, creating an additional crisis in a person's ability to meet basic living expenses. Last session, H.B. 3774 directed the Texas Supreme Court to adopt rules to make the process for seeking an exemption or challenging a wrongful seizure more navigable and clear for Texas citizens. C.S.H.B. 3481 continues and furthers that work by establishing that a court order for the collection of consumer debt must exempt \$3,000 from freezing and turnover to cover an individual's basic needs. The legislation prioritizes funds when there are multiple accounts by exempting any funds in a demand deposit account first, followed by any additional accounts. In the event there are multiple demand deposit accounts, the legislation requires that the exemption cover the largest first, then any subsequent accounts in order of funds available.

### **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 this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

C.S.H.B. 3481 amends the Civil Practice and Remedies Code to require a court order for the collection of a judgment on consumer debt to exempt an amount to cover basic needs equal to \$3,000 from freezing and turnover and to direct the judgment creditor or receiver to apply the exemption to amounts in a demand deposit account first, followed by any other applicable accounts. The bill provides for the order of application of the exemption in the event the judgment debtor has more than one demand deposit account or a combination of accounts. The bill establishes that the exemption includes any federal benefits protected from garnishment under federal regulations and does not limit amounts protected under other exemptions to the extent those exemptions exceed the amount specified in the bill. These provisions do not apply to the enforcement of court-ordered alimony, child support, or spousal maintenance payments.

C.S.H.B. 3481 requires a court order for the collection of a judgment on consumer debt, with regard to an account held on behalf of a judgment debtor by a financial institution, to direct the judgment creditor or receiver in the first instance to send a levy letter that is accompanied by a

separate form, promulgated by the Texas Supreme Court, that establishes a simple and streamlined process for a financial institution to implement the bill's exemption to the financial institution. The bill authorizes the financial institution to rely on the form when it receives a request to turn over assets or financial information of a judgment debtor to a judgment creditor or a receiver under a turnover order. Effective September 1, 2023, the bill requires the Texas Supreme Court, not later than May 1, 2024, to promulgate a form that establishes the process for a financial institution to implement the exemption provided.

### **EFFECTIVE DATE**

Except as otherwise provided, September 1, 2024.

### **COMPARISON OF INTRODUCED AND SUBSTITUTE**

While C.S.H.B. 3481 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

While the introduced set out the required contents of the form, as a demand for information, required to be sent with the levy letter, the substitute requires the Texas Supreme Court to promulgate a form for such purposes that establishes a simple and streamlined process for a financial institution to implement the exemption.

The substitute includes a requirement not in the introduced for the supreme court, effective September 1, 2023, to promulgate the form not later than May 1, 2024. The substitute accordingly adjusts the bill's effective date from September 1, 2023, as in the introduced, and to provide instead that, except as otherwise provided, the bill takes effect September 1, 2024.