BILL ANALYSIS

Senate Research Center S.B. 850
By: Middleton
Local Government
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Presently, the tax accessor-collector is not required to send a refund to a taxpayer unless that taxpayer requests a refund. If the taxpayer does not request a refund the amount due back to the taxpayer would then be applied towards their next year's property tax. Taxpayers should not have increased barriers to the funds which they are entitled to, and they deserve to have any overpayment returned to them with as little bureaucratic hurdles as possible.

(Original Author's/Sponsor's Statement of Intent)

As Filed:

S.B. 850 ensures that in the event the taxpayer is owed a refund of at least $1 that taxpayer's refund is processed within 60 days of the date the tax accessor collector finds that a refund is owed. If the taxpayer is owed less than $1 they may request a refund which is due within 60 days of the request being received by the collector.

Committee Substitute:

The committee substitute makes a conforming change which will extend the automatic refund of values greater than $1 from a 45 day deadline to a 60 day deadline. This matches the deadline for requested refunds and creates a uniform deadline between the two.

S.B. 850 amends current law relating to the payment of certain ad valorem tax refunds.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 1, Tax Code, by adding Section 1.072, as follows:

> Sec. 1.072. APPLICATION FOR TAX REFUND. Authorizes, but does not require, a person to apply for a refund of taxes due to the person under Title 1 (Property Tax Code) if the amount of the refund is at least $1.

SECTION 2. Amends Section 11.35(j), Tax Code, to delete existing text providing that no interest is due on an amount refunded under this subsection.

SECTION 3. Amends Section 11.431(b), Tax Code, as follows:

> (b) Requires the chief appraiser, if a late application is approved after approval of the appraisal records by the appraisal review board, to notify the collector for each taxing unit in which the residence is located not later than the 30th day after the date the late application is approved. Deletes existing text requiring the collector to pay the refund not later than the 60th day after the date the chief appraiser notifies the collector of the approval of the exemption.

SECTION 4. Amends Section 11.438(c), Tax Code, as follows:

(c) Provides that, if the tax and related penalties and interest on the property for a tax year for which an exemption is granted under Section 11.438 (Late Application for Veteran's Organization Exemption) were paid under protest, the collector is required to refund to the organization the tax, penalties, and interest paid, rather than the organization is eligible for a refund of the tax, penalties, and interest paid as provided by Section 31.11 (Refunds of Overpayments or Erroneous Payments).

Deletes existing text providing that the deadline prescribed by Section 31.11(c) (relating to authorizing a taxpayer to apply for a refund by filing certain forms) for applying for a refund does not apply to a refund under this section.

SECTION 5. Amends Section 11.439(b), Tax Code, to make a conforming change.

SECTION 6. Amends Section 31.071, Tax Code, by amending Subsection (c) and adding Subsection (d), as follows:

(c) Requires the collector, if the property is no longer subject to a challenge, protest, or appeal at any time before the delinquency date, to apply the amount paid by the property owner under Section 31.071 (Conditional Payments) to the tax imposed on the property and refund the remainder, if any, to the property owner in accordance with Section 31.12 (Payment of Tax Refunds; Interest).

(d) Creates this subsection from existing text. Requires the collector to make the refund not later than the 60th day after the date the chief appraiser notifies the collector of the final determination of the appeal. Requires the collector, if the collector does not make the refund within the period required by this subsection, to include with the refund interest on the amount refunded at an annual rate of 12 percent, calculated from the delinquency date for the taxes being refunded until the date the refund is made. Requires the appraisal district that employs the chief appraiser, if the refund is not made within the period required by this subsection due to an act or omission of the chief appraiser, to reimburse the collector for any interest required to be included with the amount refunded. Makes nonsubstantive changes.

SECTION 7. Amends Section 31.072(g), Tax Code, to require the collector to issue the refund to the taxpayer not later than the 60th day after the date the collector determines that the amount of money in the escrow account exceeds the amount of taxes imposed.

SECTION 8. Amends Section 31.11, Tax Code, by amending Subsections (a), (b), (c), (f), (g), and (k) and adding Subsections (a-1) and (a-2), as follows:

(a) Requires the collector for the taxing unit, if a taxpayer submits a tax payment that exceeds by $20 or more the amount of taxes the taxpayer owes for a tax year to a taxing unit, to refund the amount of the erroneous or excessive payment to the taxpayer, or apply the amount of the erroneous or excessive payment to the amount of taxes the taxpayer owes for the following year, after the collector determines the payment was erroneous or excessive if the auditor for the taxing unit agrees with the collector's determination.

(a-1) Creates this subsection from existing text. Requires the collector for the taxing unit, if a taxpayer submits a tax payment that exceeds by less than $20 the amount of taxes the taxpayer owes for a tax year to a taxing unit and the taxpayer applies to the collector for the taxing unit for a refund of the erroneous or excessive payment, rather than an overpayment or erroneous payment of taxes, to refund the amount of the erroneous or excessive payment to the taxpayer after the collector determines that the payment was erroneous or excessive if the auditor for the taxing unit agrees with the collector's determination. Makes nonsubstantive changes.

(a-2) Creates this subsection from existing text. Requires the collector for a taxing unit to make a refund under Subsection (a) or (a-1) using available current tax collections or money appropriated by the taxing unit for the purpose of making refunds. Deletes existing text requiring the collector to refund the amount of the excessive or erroneous payment from available current tax collections or from funds appropriated by the unit for making refunds. Deletes existing text prohibiting the collector from making the refund unless certain conditions are present. Makes a nonsubstantive change.

(b) Authorizes a taxing unit that determines a taxpayer is delinquent in ad valorem tax payments on property other than the property for which liability for a refund arises or for a tax year other than the tax year for which liability for a refund arises, notwithstanding Subsections (a) and (a-1), to apply the amount of an overpayment or erroneous payment to the payment of the delinquent taxes if the taxpayer was the sole owner of property meeting certain conditions.

(c) Deletes existing text authorizing a taxpayer to apply for a refund by filling a written request that includes information sufficient to enable the governing body of the taxing unit, if applicable, to determine whether the taxpayer is entitled to the refund.

(f) Provides that this subsection applies only to an application for a refund that is filed with the collector for a taxing unit after the deadline for filing the application is extended, rather than a refund that is required to be approved, by the governing body of the taxing unit under Subsection (c-1) (relating to authorizing the governing body to extend the deadline), rather than the governing body of a taxing unit. Provides that the presiding officer of the governing body of the taxing unit is not required to sign the application for the refund or any document accompanying the application to indicate the governing body's approval or disapproval of the extension of the deadline prescribed by Subsection (c) as it relates to the application, rather than of the refund. Makes a conforming change.

(g) Requires the collector for the taxing unit, if a taxpayer submits a payment of taxes that exceeds the amount, rather than exceeds by $5 or more the amount, of taxes owed for a tax year to a taxing unit, without charge, to mail the taxpayer or the taxpayer's representative a written notice of the amount of the overpayment, rather than a written notice of the amount of the overpayment accompanied by a refund application form. Requires that the notice, if the amount of the overpayment is at least $20, state that the taxpayer is not required to apply for the refund. Requires that the notice, if the amount is less than $20, state that the taxpayer is required to apply for the refund and requires the collector to include with the notice a refund application form.

(k) Authorizes a taxpayer, rather than authorizes a taxpayer not later than the 60th day after the date the collector for a taxing unit denies an application for a refund, to file a suit against a taxing unit in district court to compel the payment of a refund. Requires the taxpayer, if the collector for the taxing unit collects taxes for more than one taxing unit, to join in the suit each taxing unit on behalf of which the collector denied the refund. Requires that the suit, for a refund for which a taxpayer is not required to file an application, be filed not later than the 60th day after the date the taxpayer receives the notice required by Subsection (g). Requires that the suit, for a refund for which a taxpayer is required to file an application, be filed not later than the 60th day after the date the collector for the taxing unit denies the application for the refund.

Deletes existing text authorizing the taxpayer, not later than the 60th day after the date the collector for the taxing unit denies an application for the refund, to file suit against a taxing unit in district court to compel the payment of the refund. Makes nonsubstantive changes.

SECTION 9. Amends Sections 31.112(d) and (e), Tax Code, as follows:

(d) Requires that a refund required by Subsection (c)(3) (relating to requiring that a resolution agreement require the taxing units to refund to the property owner any amount by which the amount paid by the owner to the taxing unit exceeds the amount due) of

Section 31.112 (Refunds of Payments Made to Multiple Like Taxing Units), if a dispute or error described by Section 72.010 (c) (relating to authorizing a property owner to file suit in the Supreme Court of Texas (supreme court) as a result of disputed, overlapping, or erroneously applied geographic boundaries between like taxing units), Local Government Code, is resolved by the agreement of the taxing units, be made in accordance with Section 31.12 (Payment of Tax Refunds; Interest), rather than be made not later than the 90th day after the date on which the agreement is made.

(e) Requires that a refund required as a result of an order by the supreme court, if certain conditions are not met, be made not later than the 60th, rather than 180th, day after the date the order is entered. Requires the taxing unit, if the taxing unit does not make the refund within the period required by this subsection, to include with the refund interest on the amount refunded at an annual rate of 12 percent, calculated from the delinquency date for the taxes being refunded until the date the refund is made.

SECTION 10. Amends Section 31.12, Tax Code, as follows:

Sec. 31.12. New heading: PAYMENT OF CERTAIN TAX REFUNDS; INTEREST. (a) Requires that a refund of a tax provided by certain provisions of the Tax Code be paid not later than the 60th day after the date the liability for the refund arises as determined under this section.

(b) Creates this subsection from existing text. Provides that, if a refund to which this section applies is paid in accordance with Subsection (a), no interest is due on the amount refunded. Provides that, if the refund is not paid in accordance with Subsection (a), the amount of the tax to be refunded accrues interest at an annual rate of 12 percent, calculated from the date on which the liability for the refund arises until the date the refund is paid.

Deletes existing text providing that, if a refund of a tax provided by certain sections is paid on or before the 60th day after the date the liability for the refund arises, no interest is due on the amount refunded. Deletes existing text providing that the amount of the tax to be refunded, if not paid on or before that 60th day, accrues interest at a rate of one percent for each month or part of a month that the refund is unpaid, beginning with the date on which the liability for the refund arises.

(c) Redesignates existing Subsection (b) as Subsection (c). Provides that, for the purposes of this section, liability for a refund arises:

(1) if the refund is required by Section 11.35(j) (relating to requiring the assessor to recalculate the amount due on the property and correct the tax roll), on the date the collector for the taxing unit learns the refund is required;

(2) if the refund is required by certain sections, on the date the chief appraiser notifies the collector for the taxing unit of the approval of the applicable, rather than late homestead, exemption;

(3) if the refund is required by Section 23.1243(d) (relating to requiring a collector who receives notice stating an amount to be refunded to pay the amount), on the date the chief appraiser notifies the collector for the taxing unit of the amount of tax to be refunded;

(4) if the refund is required by certain sections, on the date the assessor notifies the collector for the taxing unit of the decrease in the person's tax liability;

(5) if the refund required by Section 26.05(e) (relating to providing that a person who owns taxable property is entitled to an injunction), on the date

the action to enjoin the collection of taxes imposed by the taxing unit is finally determined;

(6) if the refund is required by certain sections, on the date the assessor for the taxing unit mails the corrected tax bills under certain provisions, rather than on the date the results of the election to approve or reduce the tax rate, as applicable, are certified;

(7) redesignates existing Subdivision (3) as Subdivision (7) and makes no further change;

(8) if the refund is required by Section 31.061(e) (relating to providing that the owner remains personally liable to each taxing unit), on the date the taxing unit determines that the amount credited under Section 31.061(d) (relating to requiring the collector to credit against the taxes, penalties, and interest owed each taxing unit) exceeds the amount due to the taxing unit;

(9) if the refund is required by Section 31.071(c) (relating to requiring the collector to apply the amount paid by the property owner to the tax imposed on the property), on the date the challenge, protest, or appeal is finally determined;

(10) redesignates existing Subdivision (4) as Subdivision (10) and makes a conforming change;

(11) redesignates Subdivision (5) as Subdivision (11) and makes no further change; or

(12) if the refund is required by Section 31.112(c)(3), on the date the agreement described by Section 31.112 is made, rather than on the date required by Section 31.112(d) or (e).

Makes nonsubstantive changes to this subsection.

Deletes existing text of Subsection (c) providing that this section does not apply to a refund in an amount less than $5.

SECTION 11. Amends Section 41A.10(a), Tax Code, to make conforming changes.

SECTION 12. Amends Sections 42.43(b), (c), (d), and (f), Tax Code, as follows:

(b) Authorizes a property owner to waive the interest required by this subsection.

(c) Requires the taxing unit, notwithstanding Subsection (b), if a taxing unit does not make a refund, including any interest, required by this section before the 60th day after the date of the final determination of the appeal to which the refund relates, rather than the date the chief appraiser certifies a correction to the appraisal roll under Section 42.41 (Correction of Rolls), to include with the refund interest on the amount refunded at an annual rate of 12 percent, calculated from the delinquency date for the taxes until the date the refund is made.

(d) Makes conforming changes to this subsection.

(f) Provides that the final judgment in an appeal under Chapter 42 (Judicial Review) is:

(1) creates this subdivision from existing text and makes a nonsubstantive change; and

(2) prohibited from requiring the property owner to file a form with the Internal Revenue Service as a prerequisite to the issuance of a refund unless the form is required under federal law.

SECTION 13. Amends Section 2003.913(a), Government Code, to make conforming changes.

SECTION 14. Repealers: Sections 31.11(d) (relating to requiring the collector for a taxing unit to provide a copy of the refund application form without charge on request of a taxpayer) and (i) (relating to an overpayment or erroneous payment submitted by a taxpayer to a collector who collects taxes for more than one taxing unit), Tax Code.

SECTION 15. Makes application of this Act prospective.

SECTION 16. Effective date: September 1, 2025.