Senate Research Center   S.B. 551
82R1874 TJB-D   By: Williams
                                                                                                        Finance
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                                                                                                      As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Under current law, if an appraisal district sends a property owner a tax bill for an omitted improvement, a taxing entity within the district may charge the property owner interest as if it were the property owner's fault that the property escaped taxation. This interest can be charged even if the property owner received building permits for the improvement or took other appropriate steps so that the appraisal district should have known that the land was improved.

S.B. 551 ensures that a property owner is not subject to payment of interest on omitted property if the appraisal district has actual or constructive notice of the improvement, the land on which the improvement is located did not escape taxation for the year in question, and the property owner pays all back taxes due on the improvement within 120 days after the tax bill is sent.

This bill also provides that a tax bill including back taxes on an improvement that escaped taxation must state that no interest is due on the back taxes if those taxes are paid within 120 days after the bill is sent.

As proposed, S.B. 551 amends current law relating to liability for interest on ad valorem taxes on improvements that escaped taxation in a previous year.

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 Section 26.09, Tax Code, by amending Subsection (d) and by adding Subsections (d-1) and (d-2), as follows:

> (d) Provides that the amount of back taxes due incurs interest calculated at the rate provided by Section 33.01(c) (relating to the rate at which a delinquent tax accrues interest) from the date the tax would have become delinquent had the tax been imposed in the proper tax year, except as provided by Subsection (d-1). Makes nonsubstantive changes.

> (d-1) Provides that, for the purposes of this subsection, an appraisal district has constructive notice of the presence of an improvement if a building permit for the improvement has been issued by an appropriate governmental entity. Provides that back taxes assessed under Subsection (d) on an improvement to real property do not incur interest if:

>> (1) the land on which the improvement is located did not escape taxation in the year in which the improvement escaped taxation;

>> (2) the appraisal district had actual or constructive notice of the presence of the improvement in the year in which the improvement escaped taxation; and

(3) the property owner pays all back taxes due on the improvement not later than the 120th day after the date the tax bill for the back taxes on the improvement is sent.

(d-2) Provides that, for purposes of Subsection (d-1)(3) (relating to a property owner paying all back taxes due), if an appeal under Chapter 41A (Appeal through Binding Arbitration) or 42 (Judicial Review) relating to the taxes imposed on the omitted improvement is pending on the date prescribed by that subdivision, the property owner is considered to have paid the back taxes due by that date if the property owner pays the amount of taxes required by Section 41A.10 (Payment of Taxes Pending Appeal) or 42.08 (Forfeiture of Remedy for Nonpayment of Taxes), as applicable.

SECTION 2. Amends Section 31.01, Tax Code, by adding Subsection (c-2), as follows:

(c-2) Requires that a tax bill or separate statement described by Subsection (c) (relating to requirements of a tax bill or separate statement), for a tax bill that includes back taxes on an improvement that escaped taxation in a prior year, state that no interest is due on the back taxes if those back taxes are paid not later than the 120th day after the date the tax bill is sent.

SECTION 3. Makes application of this Act prospective.

SECTION 4. Effective date: September 1, 2011.