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ATTORNEYS AT LAW

Evolution of Delinquent Property Tax Collections in Texas

Texas Counties rely upon two sources of revenue, fees and fines and property taxes, to fund the majority of their essential government services and functions. With the exception of a small stream of income from sales tax and some miscellaneous revenue, property taxes contribute the lion's share of revenue for County operations.

The Texas Legislature has long recognized the importance of establishing a sound property tax system, which includes the efficient collection of delinquent taxes.

In 1876, the 15th Texas legislature recognized that there existed "an imperative public necessity . . . for the passage of the Act immediately, there being no sufficient law for the collection of delinquent taxes." - 1876 Tex. Gen. Laws 255.

In 1913, the 33rd Texas Legislature authorized irrigation districts to hire a private attorney to collect delinquent property taxes. In 1917, the legislature granted this authority to water improvement districts. Finally, in 1923, the Legislature authorized commissioners' courts, cities, towns, and school districts to contract with a private attorney.

In 1979, the Legislature passed SB 621, more commonly known as the Peveto Bill, which codified much of Vernon's Annotated Civil Statutes as the Property Tax Code. In 1981, the Legislature passed HB 30, which in essence was a clean-up bill to SB 621. Collectively, these bills established Sections 6.30 and 33.07 of the Tax Code. The operation of these provisions has proven to be a model for a successful public-private partnership by providing equity, efficacy, and efficiency in the collection of delinquent property taxes.

Within that model, third-party collection firms provide comprehensive delinquent collection services, at no cost, to local governments. Outsourcing to qualified firms offers a fiscally responsible manner that allows government to focus on the services that we depend upon, while allowing private sector firms to serve as adjunct support personnel to their tax offices.

These law firms specialize in the collection of the more difficult accounts and invest in the infrastructure and resources necessary to collect them. This ensures adequate revenues for key services, but also delivers other benefits such as: lower borrowing costs for projects; lower bond costs because the local government is rated as financially

healthy; and, higher ratings for a community that drive business development and investment into the community. In short, it is a win-win proposition.

As a result of this mature, tested, and proven process, taxpayers understand there is an effective mechanism in place if taxes are not paid on time. Today, tax collections in Dallas, Tarrant, and Collin counties are at or near 99% for current tax collections.

The state of Texas leads the nation in operating a highly efficient system for collecting delinquent property tax revenue, one that functions to the satisfaction of most local government officials across our great state. The existing Texas model for collecting delinquent property taxes is equitable, effective, and cost-efficient. It limits government growth, while not sacrificing performance.