

HOUSE BILL 2312

By Baum

AN ACT to amend Tennessee Code Annotated, Section 67-5-2001, relative to collection of delinquent taxes.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 67-5-2001(d), is amended by deleting the subsection and substituting instead the following:

(d)

(1) This subsection (d) applies to a county trustee, municipal tax collector, or taxing entity qualifying to accept partial payments of delinquent property taxes.

(2) Notwithstanding another law or private act to the contrary, a county trustee, municipal tax collector, or taxing entity to whom this subsection (d) applies may accept partial payments of delinquent property taxes, including, but not limited to, payment by electronic transfers, bank customer preauthorized payments, wire transfers, or ACH credits. If the entire amount of delinquent taxes due is not paid prior to the date the trustee, tax collector, or taxing entity delivers the delinquent tax lists to the delinquent tax attorney, then the entire property is subject to the tax lien and enforcement by a tax sale or other legally authorized procedures.

(3) At least thirty (30) days before the county trustee, municipal tax collector, or taxing entity seeks to begin accepting partial payments of delinquent property taxes, the county trustee, municipal tax collector, or taxing entity shall file a plan with the comptroller of the treasury. The comptroller must

acknowledge the receipt of the plan prior to its implementation. The plan must contain the following:

(A) A description of the accounting system technology or manual processes to be used to record partial payments of delinquent property taxes;

(B) A statement indicating that funds received as partial payments on delinquent property taxes reduce the amount of delinquent property tax, interest, statutory fees, and court costs, by relative amounts on the pro-rata basis as described in subdivision (d)(4);

(C) A statement indicating whether such a process of collecting delinquent property taxes will be implemented within the existing operating resources of the office or an indication of prior approval by the county legislative body if accounting system upgrades or additional operating resources are needed; and

(D) Documentation of the internal controls that ensure all delinquent property tax payments are being recorded and accounted for as required by law.

(4) For purposes of this section, partial payments of delinquent property taxes must be applied on a pro-rata basis to the delinquent property tax, interest, statutory fees, and court costs due, as follows:

(A) The delinquent property taxes due prior to the partial payment must be reduced by the amount of the partial payment multiplied by the quotient of delinquent property taxes due prior to the partial payment and the sum of the delinquent property tax, interest, statutory fees, and court costs due prior to the partial payment;

(B) The interest due prior to the partial payment must be reduced by the amount of the partial payment multiplied by the quotient of the interest due prior to the partial payment and the sum of the delinquent property tax, interest, statutory fees, and court costs due prior to the partial payment;

(C) The statutory fees due prior to the partial payment must be reduced by the amount of the partial payment multiplied by the quotient of the fees due prior to the partial payment and the sum of the delinquent property tax, interest, statutory fees, and court costs due prior to the partial payment;

(D) The court costs due prior to the partial payment must be reduced by the amount of the partial payment multiplied by the quotient of the court costs due prior to the partial payment and the sum of the delinquent property tax, interest, statutory fees, and court costs due prior to the partial payment; and

(E) A rounding difference between the total of the individual reductions of amounts due and the partial payment amount may be applied to any of the amounts due to make the total of the individual reductions equal to the partial payment amount.

(5) The comptroller, in consultation with the Tennessee county trustee's association, shall develop guidelines for the implementation of plans for the acceptance of partial payments of delinquent property taxes.

(6) The delinquent date for property taxes and interest applicable to delinquent property taxes is not affected by application of a partial payment system established in the county.

(7) After a partial payment is applied to delinquent property taxes and interest in accordance with subdivision (d)(4), interest applies only to the amount of delinquent property taxes remaining due.

(8) If a partial payment of delinquent property taxes is accepted, then the partial payment does not release the tax lien on the property upon which the taxes were assessed.

SECTION 2. For purposes of developing guidelines, processes, and forms, this act takes effect upon becoming a law, the public welfare requiring it. For all other purposes, this act takes effect January 1, 2026, the public welfare requiring it, and applies to property taxes that are due and payable on or after the first Monday in October 2026.