

Date: October 1, 2016

To: All Debtor Attorneys and their staff and Law Firms representing Ad Valorem Taxing Authorities

From: Tim Truman and Pam Bassel, Chapter 13 Trustees, Fort Worth, Texas

Re: Treatment of Ad Valorem Taxes in Chapter 13 Plans

A recommended “best practice” for Debtor Attorneys is to always include a “provision” for ALL ad valorem taxing entities in a Chapter 13 Plan, when the Debtor owns real estate. If a Debtor owns real estate, they owe at least a current (and ongoing) mortgage payment, and often owe mortgage arrears and ad valorem taxes. If a Debtor owes ad valorem taxes to one entity, e.g., the county, then he/she probably owes ad valorem taxes to other entities, e.g. a city and a school district. “Provision” for ad valorem taxes may include “pro-rata”, “surr”, “direct”, or a “\$ per mo” – with “pro rata” being the one most commonly used.

For the County, the term “Tarrant County” is preferred; however, the Trustees will consider the named “Tarrant County Tax Processor/Collector” the same as “Tarrant County”. Same applies for all other Counties (e.g., Parker, Denton, Dallas, Johnson) – the Tax Assessor/Collector’s name will be treated as the taxes for that County.

All ad valorem tax claims against the same property should generally have the same treatment or provision under the proposed plan.

PLEASE NOTE: IF ANY PLAN PROVIDES A “TREATMENT” FOR **ANY** AD VALOREM TAXES RELATING TO REAL PROPERTY OWNED BY A DEBTOR, THEN THE TRUSTEES WILL TREAT **ALL** PROOFS OF CLAIM BY ANY AD VALOREM TAXING AUTHORITY RELATING TO THAT SAME REAL PROPERTY IN THE SAME MANNER (PRO-RATA, SURR, DIR, OR PER MO) IN THE CONFIRMATION ORDER, AND/OR THE TRCC, AND/OR ORDER APPROVING THE TRCC, AND FOR PAYMENT BY THE TRUSTEE – AS THE TREATMENT INDICATED IN THE PLAN FOR ONE OR MORE OF THOSE ENTITIES, UNLESS OTHERWISE PROVIDED BY LETTER AGREEMENT OR ORDER OF THE COURT.

In Section I of the Form Plan for the Northern District of Texas, ad valorem tax claims should be provided for under the column labeled “**Treatment**” in Paragraph E.(1) for “pro-rata” or a “\$ per mo”; in Paragraph F for “surr”; and Paragraph G for “direct”.

For example:

**PLAN
SECTION I**

E.(1) SECURED CREDITORS – PAID BY THE TRUSTEE:

<u>CREDITOR</u>	<u>COLLATERAL</u>	<u>SCHED AMOUNT</u>	<u>VALUE</u>	<u>%</u>	<u>TERM (APPROXIMATE) MONTHS TO</u>	<u>TREATMENT</u>
Tarrant County	123 Main St.	\$XXXX	\$XXXX	12%		Pro-rata

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City of Ft Worth	123 Main St.	\$XXXX	\$XXXX	12%		Pro-rata
FWISD	123 Main St.	\$XXXX	\$XXXX	12%		Pro-rata

F. SECURED CREDITORS – COLLATERAL TO BE SURRENDERED:

<u>CREDITOR</u>	<u>COLLATERAL</u>	<u>SCHED AMOUNT</u>	<u>VALUE</u>	<u>TREATMENT</u>
TX Mortgage Co.	124 Main St.	\$XXXX	\$XXXX	Surrender
Tarrant County	124 Main St.	\$XXXX	\$XXXX	Surrender
City of Ft Worth	124 Main St.	\$XXXX	\$XXXX	Surrender
FWISD	124 Main St.	\$XXXX	\$XXXX	Surrender

G. SECURED CREDITORS – PAID DIRECT BY DEBTOR:

<u>CREDITOR</u>	<u>COLLATERAL</u>	<u>SCHED AMOUNT</u>	<u>VALUE</u>	<u>TREATMENT</u>
Tarrant County	125 Main St.	\$XXXX	\$XXXX	Direct
City of Ft Worth	125 Main St.	\$XXXX	\$XXXX	Direct
FWISD	125 Main St.	\$XXXX	\$XXXX	Direct

Please contact the Trustees if you have any questions.

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