

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

IN RE: § CASE NO. 23-90054
§
IEH AUTO PARTS HOLDINGS LLC, § Chapter 11
et al. §
§
Debtors § Jointly Administered

JOINT LIMITED OBJECTION OF THE TEXAS TAXING AUTHORITIES TO THE
DEBTORS' FIRST AMENDED COMBINED DISCLOSURE STATEMENT AND
JOINT PLAN OF LIQUIDATION OF IEH AUTO PARTS HOLDING LLC
AND ITS DEBTOR AFFILIATES PURSUANT TO CHAPTER 11 OF THE
BANKRUPTCY CODE
(Relates to doc. # 465)

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

COME NOW The Texas Taxing Authorities¹, secured creditors and parties in interest and file this the following limited objection to Confirmation of Debtors' First Amended Combined Disclosure Statement And Joint Plan of Liquidation Of IEH Auto Parts Holding LLC And Its Debtor Affiliates Pursuant To Chapter 11 of The Bankruptcy Code (the "Plan"), and respectfully show as follows:

Jurisdiction

1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1334, *et seq.*

^{1 1} The Texas Taxing Authorities include the following: City of El Paso, City of Mesquite, Dallas County, Fort Bend County WCID #2, Fort Bend County, Galveston County, Harris County, Irving Independent School District, Tarrant County, Texas City Independent School District, Richardson Independent School District, Plano Independent School District, Pasadena Independent School District, City of Houston, Clear Creek Independent School District, Dickinson Independent School District, Brazoria County, City of Pearland, Brazoria County Drainage District #4, Brazoria County Special Road & Bridge Fund, Pearland Independent School District, Wichita Falls City, Wichita Falls Independent School District, Wichita County, City of Vernon, Wilbarger General Hospital, Vernon College, Vernon Independent School District, Lubbock Central Appraisal District, Dallam County Appraisal District, Dallam County, and Stephens County., and any other taxing entity represented by Perdue Brandon, Linebarger Goggan Blair, or McCreary Veselka Bragg.



This is a core proceeding under 28 U.S.C. § 157(b)(2)(L). This Objection is designated as a contested matter under Bankruptcy Rule 9014.

Background

2. The Texas Taxing Authorities are political subdivisions of the State of Texas, authorized and required by the Texas Constitution and laws to levy and collect taxes on taxable personal and real property within their boundaries, in order to operate and discharge their public purposes.

3. The Texas Taxing Authorities hold secured pre-petition tax claims for 2023 and prior tax years (the “Tax Claims”). The Tax Claims are secured by tax liens on the real and tangible personal property of the Debtors located within their taxing boundaries (the “Tax Liens”). The Tax Liens attach to the taxpayer’s property on January 1 of each tax year.

4. The Tax Liens are superior to any other secured claim in this case as provided by Article VIII, Section 15 of the Texas Constitution, and Section 32.01 and Section 32.05(b) of the Texas Property Tax Code.

Proposed Plan Treatment

5. The Tax Claims are defined in the Plan as Priority Tax Claims as follows:

a. Priority Tax Claims

Pursuant to section 1129(a)(9)(C) of the Bankruptcy Code, unless otherwise agreed by the Holder of a Priority Tax Claim and the Debtors or the Plan Agent, as applicable, each Holder of an Allowed Priority Tax Claim will receive, at the option of the Debtors or the Plan Agent, as applicable, in full and final satisfaction, settlement, and release, and in exchange for, its Allowed Priority Tax Claim that is due and payable on or before the Effective Date, (i) Cash in an amount equal to the amount of such Allowed Priority Tax Claim or (ii) Cash in an aggregate amount of such Allowed Priority Tax Claim payable in installment payments over a period of time not to exceed five years after the Petition Date, pursuant to section 1129(a)(9)(C) of the Bankruptcy Code; *provided* that all Allowed Priority Tax Claims that are not due and payable on or before the Effective Date shall be paid in the ordinary course of business by the Plan Agent as they become due.

b. Other Provisions Concerning Treatment of Priority Tax Claims

Notwithstanding anything to the contrary in this Plan and Disclosure Statement, any Claim on account of any penalty arising with respect to or in connection with an Allowed Priority Tax Claim that does not compensate the Holder for actual pecuniary loss shall be treated as a General Unsecured Claim, and the Holder (other than as the Holder of a General Unsecured Claim) may not assess or attempt to collect such penalty from the Debtors, the Plan Agent or their respective property.

Objections

6. The Texas Taxing Authorities object to classification as Priority Tax Claims. The Tax Claims are fully secured by property of the bankruptcy estate and entitled to secured treatment.

7. The Texas Taxing Authorities object to the confirmation of the Plan to the extent it fails to expressly provide for the retention of their pre- and post-petition tax liens in the proper priority under the Bankruptcy Code and Texas law, in and to the assessed collateral or the proceeds from the sale of such collateral, until their claims have been paid in full.

8. The Texas Taxing Authorities object to the confirmation of the Plan to the extent it fails to expressly provide for the payment of interest at the applicable non-bankruptcy rate to the extent their pre-petition and post-petition claims are not paid prior to delinquency under Texas law.

9. The Texas Taxing Authorities object to the confirmation of the Plan to the extent it fails to expressly provide that the 2023 Tax Claims will be paid in the ordinary course of business, prior to delinquency, and that the failure to pay such taxes, either by the Debtors or their successors in interest, is an event to default under the Plan and authorizing the Certain Texas Taxing Entities to proceed with collection action in state court under Texas law without further order of this Court.

10. The Texas Taxing Authorities object to the confirmation to the Plan to the extent that the Plan provides for exit finance that proposes to prime the valid, enforceable, senior Tax Liens.

11. The Texas Taxing Authorities object to the confirmation to the Plan to the extent that the Plan provides for the surrender of collateral to lienholders whose claims are junior to the Tax Liens, without payment of the Tax Claims.

12. The Texas Taxing Authorities object to the confirmation to the Plan to the extent that the Plan does not provide for the Tax Liens to attach to the proceeds of the sale of their collateral to the same extent and with the same priority as the Tax Liens attached to the sold assets.

Certificate of Conference

13. Counsel for The Texas Taxing Authorities will confer with counsel for the Debtors and attempt to reach agreement regarding these matters.

Prayer

WHEREFORE, PREMISES CONSIDERED, The Texas Taxing Authorities respectfully request that the Court sustain their Objection to Confirmation of the Plan, and that it be granted such other and further relief, at law or in equity, as is just.

Date: May 26, 2023

Respectfully submitted,

PERDUE, BRANDON, FIELDER,
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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing Limited Objection has been sent to the parties listed below by the method indicated on this the 26th Day of May.

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And all other parties via CM/ECF-enotice.

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