

BILL ANALYSIS

C.S.H.B. 2636
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Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

In 1999, the 76th Legislature required the state to pay interest on tax refunds at an interest rate equal to the prime rate plus one (1) percent. However, the rate paid on tax refunds is greater than the rate of return on deposits in the state treasury. Many of these refunds are due to voluntary overpayments by tax exempt entities who then petition for a refund of the overpaid taxes.

C.S.H.B. 2636 would set the date for beginning an interest rate calculation for a refund. C.S.H.B. 2636 would also set the rate of interest paid on refunds as the lower of the rate set in Section 111.060 of the Tax Code or the rate on deposits in the state treasury.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 2636 sets the dates for beginning an interest calculation to include the date the claim for the refund is filed. The bill further sets the interest rate for a refund claimed on or after September 1, 2005, and granted for a report period due on or after January 1, 2000 as the lesser of (1) the average rate of interest earned on deposits in the state treasury during the period for which interest is paid on the refund or (2) the rate set in Section 111.060 of the Tax Code.

EFFECTIVE DATE

September 1, 2005

COMPARISON OF ORIGINAL TO SUBSTITUTE

The substitute adds language redefining the date an interest calculation begins. The substitute removes language setting the rate of interest for a refund granted in connection with a protest payment submitted under Chapter 112 for a report period due on or after January 1, 2000.