

BILL ANALYSIS

Senate Research Center

S.B. 1570
By: Williams
Finance
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Enrolled

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

The 76th Legislature, Regular Session, 1999, required the state to pay interest on tax refunds at an interest rate equal to the prime rate plus one percent. However, that rate is greater than the rate of return on deposits in the state treasury. For example, in fiscal year 2003, the prime rate plus one percent was 5.25 percent, whereas the average yield for the state treasury was two percent.

S.B. 1570 reduces the interest rate paid on refunds to taxpayers who voluntarily overpay their taxes to the average yield earned on funds in the state treasury. This saves the state approximately \$22.4 million in general revenue for interest payments during the 2006-2007 biennium. S.B. 1570 is a Legislative Budget Board performance recommendation and its savings are assumed in S.B. 1.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 111.064, Tax Code, by amending Subsections (a), (c), and (f), and adding Subsection (c-1), as follows:

- (a) Provides that except as otherwise provided by this section, for a refund under this chapter, interest is at the rate that is the lesser of the annual rate of interest earned on deposits in the state treasury during December of the previous calendar year, as determined by the comptroller, or the rate set in Section 111.060 (Interest on Delinquent Tax), and accrues on the amount found to be erroneously paid for a specific period.
- (c) Provides that for a refund claimed before September 1, 2005, and granted for a report period due on or after January 1, 2000, the rate of interest is the rate set in Section 111.060.
- (c-1) Provides that a refund, without regard to the date claimed, for a report period due before January 1, 2000, does not accrue interest.
- (f) Makes a conforming change.

SECTION 2. Effective date: September 1, 2005.