

BILL ANALYSIS

S.B. 1570
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Ways & Means
Committee Report (Unamended)

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.

S.B. 1570 would set the date for beginning an interest rate calculation for a refund. S.B. 1570 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

S.B. 1570 provides that in a comptroller's final decision on a claim for refund or in an audit, except as otherwise provided, interest is at the rate set in Section 111.060 of the Tax Code on the amount found to be erroneously paid for a specific period.

The bill provides that, for a refund granted in connection with a protest payment submitted under Chapter 112 of the Tax Code for a report period due on or after January 1, 2000, the rate of interest is the rate set in Section 111.060 of the Tax Code.

The bill further provides that, for a refund other than a refund described in Subsection (c) 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 of the Tax Code. The bill provides that, for a refund other than a refund described in Subsection (c) of Section 111.064 of the Tax Code claimed on or after September 1, 2005, and granted for a report period due on or after January 1, 2000, the rate of interest is the lesser of the average rate of interest earned on deposits in the state treasury during the period for which interest is paid on the refund, as determined by the comptroller, or the rate set in Section 111.060 of the Tax Code.

The bill provides that a refund, without regard to the date claimed, for a report period due before January 1, 2000, does not accrue interest.

EFFECTIVE DATE

September 1, 2005