

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 19, 2005

TO: Honorable Jim Keffer, Chair, House Committee on Ways & Means

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB2636 by Isett (Relating to the rate of and the period for which interest is paid on certain tax refunds.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2636, Committee Report 1st House, Substituted: a positive impact of \$21,777,000 through the biennium ending August 31, 2007.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	\$10,051,000
2007	\$11,726,000
2008	\$12,045,000
2009	\$10,945,000
2010	\$12,473,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from GENERAL REVENUE FUND 1	Probable Savings from General Revenue Dedicated - Various	Probable Savings from Other Funds - Various
2006	\$10,051,000	\$24,000	\$975,000
2007	\$11,726,000	\$28,000	\$1,138,000
2008	\$12,045,000	\$29,000	\$1,168,000
2009	\$10,945,000	\$27,000	\$1,061,000
2010	\$12,473,000	\$30,000	\$1,210,000

Fiscal Analysis

The bill would implement a recommendation in the Legislative Budget Board's *"Staff Performance Report, State Government Efficiency and Operations"* Submitted to the 79th Legislature. The recommendation in the "Reduce the Interest Rate Paid on Tax Refunds" report proposes reducing the interest rate paid on tax refunds of voluntary overpayments to the average yield earned on funds in the state treasury.

Under current law, the state pays interest on refunds of taxes paid for a report period on or after January 1, 2000. Interest is earned starting from the later of 60 days after payment or the due date of the tax report. The interest rate is set annually at the prime rate plus one percent.

The bill would change the period of which interest is earned. Under the provisions of the bill, interest would be earned starting at the later of 1) 60 days after payment, 2) the due date of the tax report, or 3) the date the refund claim is filed.

The bill would change the rate of interest paid on certain tax refunds claimed after September 1, 2005 for any report period due on or after January 1, 2000. The rate would be the lesser of: 1) the prime rate plus one percent, or 2) the average rate of interest earned on state treasury deposits during the period for which interest is paid on the refund.

The bill would take effect September 1, 2005.

Methodology

The estimate is based on the Comptroller's forecast of the prime rate and the Comptroller's estimate of the rate of interest earned on state deposits.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, SD, JI, RS