

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION**

**April 1, 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 interest on certain tax refunds.), **As Introduced**

<b>Estimated Two-year Net Impact to General Revenue Related Funds</b> for HB2636, As Introduced: a positive impact of \$21,777,000 through the biennium ending August 31, 2007.
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**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 <i>GENERAL REVENUE FUND 1</i>	Probable Savings from <i>General Revenue Dedicated - Various</i>	Probable Savings from <i>Other Funds - Various</i>
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 the recommendation entitled Reduce the Interest Rate Paid on Tax Refunds from the Legislative Budget Board's *Staff Performance Report, State Government Efficiency and Operations Submitted to the 79th Legislature*.

Under current law, the state pays interest on refunds of taxes paid for a report period on or after January 1, 2000. The interest rate is set annually at the prime rate plus one percent.

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 interest rate paid on refunds of taxes paid in protest would remain at prime plus one percent.

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