

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 1, 2005

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

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

IN RE: SB1570 by Williams (Relating to the rate of interest on certain tax refunds.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1570, As Introduced: 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 <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable Savings from <i>General Revenue Dedicated -</i> <i>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