

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

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**April 7, 2011**

**TO:** Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

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

**IN RE: HB1090** by Gonzalez, Naomi (Relating to the calculation of interest on certain ad valorem tax refunds.), **As Introduced**

<b>No fiscal implication to the State is anticipated.</b>
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The bill would amend Chapter 42 of the Tax Code, regarding property taxation and judicial review, to require that interest on any refund to a property owner based on the final determination of an appeal to district court be calculated based on the auction average rate quoted on a bank discount basis for three-month U.S. treasury bills as published by the Federal Reserve Board, but the rate may not be more than 10 percent. Under current law, this method is used only for interest on refunds resulting from appeals of exemptions denied by the chief appraiser, while interest on other refunds is paid at 8 percent.

U.S. treasury bill interest rates are currently well under 8 percent (the current statutory interest rate for refunds resulting from district court appeals that do not involve the denial of exemptions). To the extent that treasury bill interest rates remain below 8 percent, the bill's proposed interest calculation method would reduce interest costs for taxing units. No information exists to estimate the amount of any gain to taxing units. The bill's proposed interest rate calculation change would not affect property values, tax rates, or other variables affecting property tax levies. Interest payments are not part of the school funding formula so there would be no fiscal impact on the state.

The bill would take effect September 1, 2011.

**Local Government Impact**

To the extent that treasury bill interest rates remain below 8 percent, the bill's proposed interest calculation method would reduce interest costs for local taxing units.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JOB, KK, SD, SJS