

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 15, 2011

TO: Honorable Royce West, Chair, Senate Committee on Intergovernmental Relations

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

IN RE: SB641 by Seliger (relating to the calculation of interest on certain ad valorem tax refunds.),
Committee Report 1st House, Substituted

No fiscal implication to the State is anticipated.

The bill would amend Chapter 42 of the Tax Code, regarding property taxation and judicial review, to require that the annual interest on any refund to a property owner be the sum of 2 percent and the most recent prime rate quoted and published by the Federal Reserve Board, but the rate may not be more than 8 percent. Under current law, 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 not more than 10 percent, is used for interest on refunds resulting from appeals of exemptions denied by the chief appraiser, while interest on other refunds is paid at 8 percent.

The current prime rate plus 2 percent is 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 prime rate plus 2 percent remains 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 prime rate plus 2 percent remains below 8 percent, the bill's proposed interest calculation method would reduce interest costs for taxing units.

Source Agencies: 304 Comptroller of Public Accounts

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