

# SENATE AMENDMENTS

## 2<sup>nd</sup> Printing

By: Gonzalez, Hughes, Villarreal, Oliveira,  
Margo, et al.

H.B. No. 1090

### A BILL TO BE ENTITLED

#### AN ACT

relating to the calculation of interest on certain ad valorem tax  
refunds.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 42.43(b), Tax Code, is amended to read as  
follows:

(b) For a refund made under this section [~~because an exemption under Section 11.20 that was denied by the chief appraiser or appraisal review board is granted~~], the taxing unit shall include with the refund interest on the amount refunded calculated at an annual rate that is equal to the sum of two percent and the most recent prime rate quoted and [~~auction average rate quoted on a bank discount basis for three-month treasury bills issued by the United States government, as~~] published by the Federal Reserve Board as of the first day of the month in which the refund is made [~~, for the week in which the taxes became delinquent~~], but not more than a total of eight [~~10~~] percent, calculated from the delinquency date for the taxes until the date the refund is made. [~~For any other refund made under this section, the taxing unit shall include with the refund interest on the amount refunded at an annual rate of eight percent, calculated from the delinquency date for the taxes until the date the refund is made.~~]

SECTION 2. The change in law made by this Act applies only to the rate of interest on a tax refund that is made following an

1 appeal that is finally determined on or after the effective date of  
2 this Act. The rate of interest on a tax refund that is made  
3 following an appeal that is finally determined before the effective  
4 date of this Act is determined by the law in effect when the appeal  
5 is finally determined, and that law is continued in effect for that  
6 purpose.

7 SECTION 3. This Act takes effect September 1, 2011.

# ADOPTED

MAY 23 2011

*Atty. Gen.*  
Secretary of the Senate

FLOOR AMENDMENT NO. 1

BY: *Schiger*

1 Amend H.B. No. 1090 (senate committee printing) by striking  
2 SECTION 2 of the bill and substituting the following:

3 SECTION 2. The change in law made by this Act applies only  
4 to the rate of interest on a tax refund that is made following an  
5 appeal that is filed on or after the effective date of this Act. The  
6 rate of interest on a tax refund that is made following an appeal  
7 that is filed before the effective date of this Act is determined by  
8 the law in effect when the appeal is filed, and that law is  
9 continued in effect for that purpose.

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

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

**May 24, 2011**

**TO:** Honorable Joe Straus, Speaker of the House, House of Representatives

**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 Passed 2nd House**

**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 interest on any refund to a property owner based on the final determination of an appeal to district court be calculated at an annual rate that is equal to the sum of 2 percent and the most recent prime rate quoted and published by the Federal Reserve Board as of the first day of the month in which the refund is made, but the rate may not be more than 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 the 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 the 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

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

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

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

**May 13, 2011**

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

**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 Engrossed**

**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 interest on any refund to a property owner based on the final determination of an appeal to district court be calculated at an annual rate that is equal to the sum of 2 percent and the most recent prime rate quoted and published by the Federal Reserve Board as of the first day of the month in which the refund is made, but the rate may not be more than 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 the 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 the 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

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

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

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

**April 27, 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.), **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 interest on any refund to a property owner based on the final determination of an appeal to district court be calculated at an annual rate that is equal to the sum of 2 percent and the most recent prime rate quoted and published by the Federal Reserve Board as of the first day of the month in which the refund is made, but the rate may not be more than 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 the 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 the 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

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

**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**

**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 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

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

**TAX/FEE EQUITY NOTE**

**82ND LEGISLATIVE REGULAR SESSION**

**April 27, 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.), **Committee Report 1st House, Substituted**

Because the bill would not create or impact a state tax or fee, no comment from this office is required by the rules of the House as to the general effects of the proposal on the distribution of tax and fee burdens among individuals and businesses.

**Source Agencies:**

**LBB Staff:** JOB, KK

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**TAX/FEE EQUITY NOTE**

**82ND LEGISLATIVE REGULAR SESSION**

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

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Because the bill would not create or impact a state tax or fee, no comment from this office is required by the rules of the House as to the general effects of the proposal on the distribution of tax and fee burdens among individuals and businesses.

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**LBB Staff:** JOB, KK