

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

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**April 27, 2015**

**TO:** Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** **HB3346** by Bohac (Relating to the accrual of penalties and interest under the Property Tax Code.), **As Introduced**

**No fiscal implication to the State is anticipated.**

The bill would amend Chapter 1 of the Tax Code, regarding general property tax provisions, to require that, for purposes of property tax provisions providing for the accrual of interest, unless otherwise provided, interest accrues at an annual rate equal to the lesser of 12 percent or the sum of two 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 interest is first calculated.

The bill would amend Section 42.42 of the Tax Code, relating to corrected and supplemental tax bills, to strike the requirement that a taxpayer pay a penalty in relation to a supplemental tax bill sent after a court decision that increases the taxpayer's tax liability. The property owner and the chief appraiser may agree in writing to waive the interest applied to this supplemental tax bill.

This bill would take effect September 1, 2015.

**Local Government Impact**

The fiscal implications of the bill cannot be determined at this time.

The bill's provisions would generally reduce the interest rate charged taxpayers to the prime rate plus 2 percent. In particular, the interest rate on delinquent taxes would decrease from 7 percent to the prime rate plus 2 percent, creating a cost to units of local government because a lower interest rate would reduce taxing unit revenue from interest payments. The bill's provisions to increase the interest rate on tax refunds creates a cost to local governments. Insufficient information is available to estimate the costs to local governments of the bill's proposed interest rate.

The provision that would strike the requirement that a taxpayer pay a penalty in relation to a supplemental tax bill sent after a court decision that increases the taxpayer's tax liability would create a cost to local taxing units because the taxing units would no longer receive the penalty revenue. The amount of penalty on these supplemental bills is unknown and the cost to local governments cannot be estimated.

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

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