

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

March 20, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1786 by Murphy (Relating to the rate of interest on certain tax refunds.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB1786, As Introduced: an impact of \$0 through the biennium ending August 31, 2019.

However, the bill would result in significant General Revenue Related Funds losses beginning in the 2020-21 biennium.

General Revenue-Related Funds, Eight-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	\$0
2019	\$0
2020	(\$2,748,000)
2021	(\$14,084,000)
2022	(\$52,932,000)
2023	(\$135,704,000)
2024	(\$189,770,000)
2025	(\$259,479,000)

All Funds, Eight-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund
	1
2018	\$0
2019	\$0
2020	(\$2,748,000)
2021	(\$14,084,000)
2022	(\$52,932,000)
2023	(\$135,704,000)
2024	(\$189,770,000)
2025	(\$259,479,000)

Fiscal Analysis

The bill would amend Section 111.064 of the Tax Code, regarding state tax collection procedures and the rate of interest to be paid on tax refunds or credits.

The bill would stipulate that, for certain refunds or credits of state taxes, the rate of interest would be the rate set in Section 111.060 of the Tax Code. Section 111.060 sets that interest rate at the prime interest rate (as published in the Wall Street Journal on the first business day of each calendar year) plus one percent. The prime plus one rate would only apply to refunds and credits granted for a report period due on or after September 1, 2019.

The bill would take effect September 1, 2017.

Methodology

Currently, refund claims accrue interest at either the Treasury Pool rate or the prime interest rate plus one percent, whichever is less. The estimated fiscal impact was based on historical interest payments on a refund or credit of tax in Comptroller records, estimates in the Comptroller's Fall 2016 state economic forecast, and estimated Treasury Pool interest rates. The estimate assumed that taxpayers do not overpay in an effort to receive a higher return. The bill's full fiscal impact would occur in fiscal 2025, due to the Tax Code's four year statute of limitations.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

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