

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

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**April 26, 2019**

**TO:** Honorable Dustin Burrows, Chair, House Committee on Ways & Means

**FROM:** John McGeady, Assistant Director    Sarah Keyton, Assistant Director  
Legislative Budget Board

**IN RE: HB3443** by Springer (relating to the rate of interest on certain tax refunds.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3443, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2021.

However, when the higher interest rate paid on tax refunds and credits is fully phased in the bill will result in a negative impact of (\$110,694,000) through the biennium ending August 31, 2027.

**General Revenue-Related Funds, Ten-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2020	\$0
2021	\$0
2022	(\$922,000)
2023	(\$2,399,000)
2024	(\$12,489,000)
2025	(\$39,291,000)
2026	(\$56,422,000)
2027	(\$54,272,000)
2028	(\$54,319,000)
2029	(\$54,240,000)

**All Funds, Ten-Year Impact:**

<b>Fiscal Year</b>	<b>Probable (Cost) from General Revenue Fund 1</b>
2020	\$0
2021	\$0
2022	(\$922,000)
2023	(\$2,399,000)
2024	(\$12,489,000)
2025	(\$39,291,000)
2026	(\$56,422,000)
2027	(\$54,272,000)
2028	(\$54,319,000)
2029	(\$54,240,000)

**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 set in relation to the prime interest rate (as published in the Wall Street Journal on the first business day of each calendar year). For fiscal years 2022 and 2023, the interest rate would equal prime plus 0.5 percentage points. For fiscal years 2024 and 2025, the interest rate would equal prime plus 0.75 percentage points. For fiscal year 2026 forward, the interest rate would equal prime plus 1 percentage point.

This bill would take effect September 1, 2019.

**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 2018 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.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

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

**LBB Staff:** WP, KK, SD