

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 8, 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.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3443, As Introduced: a negative impact of (\$3,604,000) through the biennium ending August 31, 2021.

Additionally, the bill would have a negative impact of (\$59,411,414) through the biennium ending August 31, 2023.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2020	(\$939,000)
2021	(\$2,665,000)
2022	(\$14,535,414)
2023	(\$44,876,000)
2024	(\$59,602,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund
2020	(\$939,000)
2021	(\$2,665,000)
2022	(\$14,535,414)
2023	(\$44,876,000)
2024	(\$59,602,000)

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, 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