

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 30, 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: HB4194 by Middleton (Relating to the interest rate on a refund of ad valorem taxes made following the final determination of an appeal that decreases a property owner's tax liability.), **As Introduced**

No fiscal implication to the State is anticipated.

The bill would amend Chapter 42 of the Tax Code, regarding judicial review of property tax appeals, to require that interest on a refund from a taxing unit to a property owner after a court appeal reduces the property owner's tax liability for taxes imposed on a refinery be calculated at an annual rate that is equal to the auction average rate quoted on a bank discount basis for one-month treasury bills issued by the United States government, as published by the Federal Reserve Board, for the week in which the taxes became delinquent, but not more than 4 percent, calculated from the delinquency date for the taxes until the date the refund is made.

The bill would define "refinery" for this purpose as an installation that refines, treats, prepares, or processes raw or unrefined petroleum.

The bill would require interest on a refund from a taxing unit to a property owner after a court appeal reduces the property owner's tax liability for taxes imposed on a refinery to be calculated at an annual rate that is equal to the auction average rate quoted on a bank discount basis for one-month treasury bills issued by the United States government, as published by the Federal Reserve Board, for the week in which the taxes became delinquent, but not more than 4 percent. Capped at 4 percent, this new rate is less than the 9.5 percent rate in current law, which would create a gain to local taxing units by requiring lower interest payments from the taxing units on the tax refunded after a property tax appeal. The number of future court cases resulting in lower property tax liabilities for taxes imposed on a refinery, the amount of tax reduction, and the resulting interest payments under the bill are unknown; consequently the gain to local taxing units cannot be estimated. There would be no fiscal impact on the state because interest payments are not included in the school finance formulas.

The bill would take effect September 1, 2019.

Local Government Impact

The bill would require interest on a refund from a taxing unit to a property owner after a court appeal reduces the property owner's tax liability for taxes imposed on a refinery to be calculated

at an annual rate that is equal to the auction average rate quoted on a bank discount basis for one-month treasury bills issued by the United States government, as published by the Federal Reserve Board, for the week in which the taxes became delinquent, but not more than 4 percent. Capped at 4 percent, this new rate is less than the 9.5 percent rate in current law, which would create a gain to local taxing units by requiring lower interest payments from the taxing units on the tax refunded after a property tax appeal.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: WP, KK, SD, SJS