

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 1, 2021

TO: Honorable Morgan Meyer, Chair, House Committee on Ways & Means

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1454 by Krause (Relating to the rate of interest on certain tax refunds.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1454, As Introduced : an impact of \$0 through the biennium ending August 31, 2023. However, the bill would have negative fiscal implications to the General Revenue Fund beginning in FY 2024, and increasing to (\$293,075,856) by fiscal year 2031.

General Revenue-Related Funds, Ten- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2022	\$0
2023	\$0
2024	(\$2,620,803)
2025	(\$7,586,501)
2026	(\$39,107,327)
2027	(\$135,125,102)
2028	(\$222,441,121)
2029	(\$245,384,172)
2030	(\$270,014,860)
2031	(\$293,075,856)

All Funds, Ten-Year Impact:

<i>Fiscal Year</i>	Probable (Cost) from General Revenue Fund 1
2022	\$0
2023	\$0
2024	(\$2,620,803)
2025	(\$7,586,501)
2026	(\$39,107,327)
2027	(\$135,125,102)
2028	(\$222,441,121)
2029	(\$245,384,172)
2030	(\$270,014,860)
2031	(\$293,075,856)

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.

For certain refunds or credits of state taxes, the rate of interest would be 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 2024 and 2025, the interest rate would equal prime plus 0.5 percentage points. For fiscal years 2026 and 2027, the interest rate would equal prime plus 0.75 percentage points. For fiscal year 2027 forward, the interest rate would equal prime plus 1 percentage point.

The bill would take effect September 1, 2021.

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 2020 state economic forecast, and estimated Treasury Pool interest rates. The analysis assumes that taxpayers would 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

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