

## **BILL ANALYSIS**

Senate Research Center  
89R3837 CJD-F

S.B. 1337  
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Finance  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Due to the Comptroller of Public Accounts' (comptroller) restricted offset policy, taxpayers may face penalties and interest on the full amount of an underpayment, even if they have overpaid taxes for the same period. In some cases, the comptroller may impose penalties and interest even when the taxpayer's overpayment exceeds their underpayment for that reporting period. Currently, taxpayers are charged 8.5 percent interest on overdue amounts, while the state only pays 4.597 percent interest on refunds. As a result, the state gains additional interest revenue when offsets are not permitted.

S.B. 1337 makes clear that interest and penalty are imposed only on the amount of tax that remains due for a period after deducting any overpayments of the same type of tax for the same period or a previous period.

It also provides that interest on refunds accrues only on the amount found to be erroneously paid for a period after deducting any underpayments of the same type of tax for the same period or a previous period. This equalizes the treatment of the state and the taxpayer.

Finally, S.B. 1337 makes sales and use tax offsets mandatory, as the comptroller interprets existing law as flexible.

As proposed, S.B. 1337 amends current law relating to the computation of certain tax penalties and interest amounts.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 111.060, Tax Code, by amending Subsection (a) and adding Subsection (e), as follows:

(a) Provides that, subject to Subsection (e), the yearly interest rate on all delinquent taxes imposed by this title is at the rate of 12 percent for report periods originally due on or before December 31, 1999, after which the rate of interest is variable and determined as provided in Subsection (b) (relating to providing that the interest rate is the prime rate plus one percent, as published in The Wall Street Journal). Makes a nonsubstantive change.

(e) Provides that, for the purpose of computing interest under Section 111.060 (Interest on Delinquent Tax), the amount of delinquent tax is the amount that remains due after deducting any overpayments of the same tax made by the taxpayer:

(1) for the same period during which the delinquent tax was originally due; or

(2) for a period preceding the period described by Subdivision (1).

SECTION 2. Amends Section 111.061, Tax Code, by adding Subsection (d), as follows:

(d) Provides that, for the purpose of computing penalties under Section 111.061 (Penalty on Delinquent Tax or Tax Reports), the amount of tax due is the amount that remains due after deducting any overpayments of the same tax made by the taxpayer:

(1) for the same period during which the failure to pay the tax or file the report or other grounds for the penalty occurred; or

(2) for a period preceding the period described by Subdivision (1).

SECTION 3. Amends Section 111.064, Tax Code, by amending Subsection (a) and adding Subsection (a-1), as follows:

(a) Provides that, except as otherwise provided by Section 111.064 (Interest on Refund or Credit), for a refund under Chapter 111 (Collection Procedures), interest is at the rate that is the lesser of the annual rate of interest earned on deposits in the state treasury during November of the previous calendar year, as determined by the Comptroller of Public Accounts of the State of Texas (comptroller), or the rate set in Section 111.060, and accrues on the amount of an overpayment or erroneous payment that remains after deducting any underpayments under Subsection (a-1), rather than on the amount found to be erroneously paid, over a certain period of time.

(a-1) Provides that, for the purpose of computing interest under Subsection (a) for an overpayment or erroneous payment of tax, the amount of the overpayment or erroneous payment is the amount that remains after deducting any underpayments of the same tax made by the taxpayer:

(1) for the same period during which the tax that was overpaid or erroneously paid was originally due; or

(2) for a period preceding the period described by Subdivision (1).

SECTION 4. Amends Section 151.508, Tax Code, to require, rather than authorize, the comptroller to offset an overpayment for one or more periods against an underpayment, penalty, and interest accrued on the underpayment for the same period or one or more other periods.

SECTION 5. Provides that the amendments made by this Act are clarifications of existing law and do not imply that existing law is authorized to be construed as inconsistent with the law as amended by this Act.

SECTION 6. Effective date: upon passage or September 1, 2025.