

BILL ANALYSIS

Senate Research Center
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S.B. 1570
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Finance
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As Filed

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

The 76th Legislature, Regular Session, 1999, required the state to pay interest on tax refunds at an interest rate equal to the prime rate plus one percent. However, that rate is greater than the rate of return on deposits in the state treasury. For example, in fiscal year 2003, the prime rate plus one percent was 5.25 percent, whereas the average yield for the state treasury was two percent.

S.B. 1570 reduces the interest rate paid on refunds to taxpayers who voluntarily overpay their taxes to the average yield earned on funds in the state treasury. This saves the state approximately \$22.4 million in general revenue for interest payments during the 2006-2007 biennium. S.B. 1570 is a Legislative Budget Board performance recommendation and its savings are assumed in S.B. 1.

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 111.064, Tax Code, by amending Subsections (a), (c), and (f), and adding Subsections (c-1) and (c-2), as follows:

(a) Provides that in a comptroller's final decision on a claim for refund or in an audit, except as otherwise provided by this section, rather than Subsections (b) and (c), interest is at the rate set in Section 111.060, Tax Code, on the amount found to be erroneously paid for a specific period.

(c) Provides that, for a refund granted in connection with a protest payment submitted under Chapter 112 for a report period due on or after January 1, 2000, the rate of interest is the rate set in Section 111.060, Tax Code.

(c-1) Provides that, for a refund other than a refund described in Subsection (c) claimed before September 1, 2005, and granted for a report period due on or after January 1, 2000, the rate of interest is the rate set in Section 111.060, Tax Code. Provides that, for a refund other than a refund described in Subsection (c) claimed on or after September 1, 2005, and granted for a report period due on or after January 1, 2000, the rate of interest is the lesser of the average rate of interest earned on deposits in the state treasury during the period for which interest is paid on the refund, as determined by the comptroller, or the rate set in Section 111.060, Tax Code.

(c-2) Provides that a refund, without regard to the date claimed, for a report period due before January 1, 2000, does not accrue interest.

(f) Makes a conforming change.

SECTION 2. Effective date: September 1, 2005.