

BILL ANALYSIS

Senate Research Center

S.B. 2360
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Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The State of Texas requires taxpayers to pay interest when they are not timely in remitting taxes that are due. However, since 2005, the state has not paid the same level of interest on tax refunds, which often result from overpayments of taxes.

S.B. 2360 seeks to provide equity and fairness for taxpayers by setting the interest rate for all tax refunds granted for a report period due on or after September 1, 2019, at the same rate as interest charged on delinquent taxes.

Interested parties observe that certain aspects of state taxation are unfair and overly burdensome to Texas taxpayers. This lack of fairness has prompted the Council of State Taxation, which monitors and reviews state tax practices, to give Texas a D+ rating as compared to other states. One issue that contributes to this score includes the discrepancy between the interest on tax underpayments and overpayments.

S.B. 2360 equalizes the interest rates on tax refunds so that interest on overpayments equals that charged for underpayments. The change proposed by S.B. 2360 establishes fairness and equality in the state's taxing system, ensuring that the interest paid by the comptroller of public accounts of the State of Texas for tax refunds equals that paid by taxpayer for back taxes due.

As proposed, S.B. 2360 amends current law relating to the rate of interest on certain tax refunds.

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 Sections 111.064(a), (c), and (c-1), Tax Code, as follows:

(a) Provides that, except as otherwise provided by this section, for a refund under this chapter (Collection Procedures) granted for a report period due on or after September 1, 2019, interest is at the rate set in Section 111.060 (Interest on Delinquent Tax) and accrues on the amount found to be erroneously paid over a certain period, rather than for a refund under this chapter, interest is at the rate that is the lesser of the annual rate of interest earned on deposits in the state treasury during December 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 found to be erroneously paid for a certain period.

(c) Provides that a refund under this chapter granted for a report period due on or after January 1, 2000, but before September 1, 2019, accrues interest as follows, rather providing that for a refund 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:

(1) if the refund is claimed on or before September 1, 2005, at the rate set in Section 111.060; and

(2) if the refund is claimed after September 1, 2005, at the rate that is lesser of:

(A) the rate set in Section 111.060; or

(B) the annual rate of interest earned on deposits in the state treasury during December of the previous calendar year, as determined by the comptroller.

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

SECTION 2. Effective date: September 1, 2019.