

BILL ANALYSIS

Senate Research Center
82R21821 TJB-D

H.B. 1090
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Intergovernmental Relations
5/13/2011
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

When a property owner engages in litigation with an appraisal district over the value or exemption of the property, the property owner is required to pay the undisputed amount of the taxes at issue, but may pay the full tax bill as originally assessed. Once the litigation is resolved, if the owner ends up owing less taxes than were paid, the property owner gets a refund from the taxing units such as school districts, counties, and cities, with interest. That interest, on most refunds, was fixed in 1997 at eight percent, when eight percent interest was reasonable. Interest on refunds after religious exemption litigation was left, as all refunds had formerly been, to float with the T-bill.

Now eight percent is a well above market rate. No taxing unit can hope to invest any money that it might have to refund at anything close to an eight percent return. Thus, litigants are encouraged to pay more than the undisputed amount of taxes, knowing that any resultant refund will earn far better interest than they can expect anywhere else. The taxing units, which do not control the litigation, are faced with large refunds accruing interest for which they cannot adequately account by investment of the disputed taxes. The Federal Reserve Board now refers to the rate in question as the secondary market rate.

H.B. 1090 returns the interest rate paid on refunds after any litigation to the amount refunded calculated at an annual rate that is two percent, plus the most recent prime rate quoted and published by the Federal Reserve Board, but no more than eight percent calculated from the delinquency date for the taxes until the date the refund is made.

H.B. 1090 amends current law relating to the calculation of interest on certain ad valorem 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 Section 42.43(b), Tax Code, as follows:

(b) Requires the taxing unit, for a refund made under this section, to include with the refund interest on the amount refunded calculated at an annual rate that is equal to the sum of two percent and the most recent prime rate quoted and published by the Federal Reserve Board as of the first day of the month in which the refund is made, but not more than a total of eight percent, calculated from the delinquency date for the taxes until the date the refund is made, rather than requires the taxing unit, for a refund made under this section, to include with the refund interest on the amount refunded calculated at an annual rate that is equal to the auction average rate quoted on a bank discount basis for three-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 10 percent, calculated from the delinquency date for the taxes until the date the refund is made. Deletes existing test requiring the taxing unit, other refund made under this section because on exemption under Section 11.20 that was denied by the chief

appraiser or appraisal review board is granted, to include with the refund interest on the amount refunded at an annual rate of eight percent, calculated from the delinquency date for the taxes until the date the refund is made.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: September 1, 2011.