

## **BILL ANALYSIS**

Senate Research Center  
82R8097 ALL-D

S.B. 1384  
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As Filed

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

Current law provides that when it is discovered that a taxpayer has paid more taxes than owed, the county is responsible for refunding the difference with interest earned. In certain situations, the interest rate is calculated using the eight percent rate set forth in the Tax Code. Due to the current economic downturn, most banks' interest rates are falling well below eight percent, costing the state and counties more than they are currently making in interest from their banking institutions.

S.B. 1384 proposes using the eight percent figure in current law as a cap, or maximum rate. If a refund is required, counties or municipalities can use their current banking institutions' interest rates to determine what percentage rate to use. If that percentage rate climbs over eight percent, the counties or municipalities must use a rate not higher than eight percent.

As proposed, S.B. 1384 amends current law relating to the interest rate on a refund of ad valorem taxes made following the final determination of an appeal that decreases a property owner's tax liability.

### **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 because an exemption under Section 11.20 (Religious Organizations) that was denied by the chief appraiser or appraisal review board is granted, 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. Requires the taxing unit, for any other refund made under this section, to include with the refund interest on the amount refunded at an annual rate that is equal to the annual rate of interest paid by the bank on funds deposited in the account maintained by the tax collector for the taxing unit from which refunds are disbursed as of the date on which the final determination of the appeal is made, but not more than eight percent, calculated from the delinquency date for the taxes until the date the refund is made.

SECTION 2. Provides that the change in law made by this Act applies only to a refund made under Section 42.43, Tax Code, on or after the effective date of this Act. Provides that a refund made under that section before the effective date of this Act is governed by the law in effect on the date the refund was made, and the former law is continued in effect for that purpose.

SECTION 3. Effective date: upon passage or September 1, 2011.