BILL SUMMARY
1st Session of the 58th Legislature

Bill No.:	**HB 2008**
Version:	**INT**
Request Number:	**6395**
Author:	**Rep. Townley**
Date:	**2/8/2021**
Impact:	**Tax Commission:**

Revenue Decrease:
FY-22: ($9,202,000)
FY-23: ($20,448,000)

Administrative Cost:
Beginning FY-21: $100,000

Research Analysis

HB 2008 provides that the interest rate applicable to delinquent payments of tax levied by state law shall be determined annually based on the Prime Lending Rate published by the Wall Street Journal on December 1 for the succeeding year. The interest rate applicable to any amount of state tax determined as a deficiency shall be determined by the Prime Lending Rate, plus 2 percent. The measure also deletes obsolete language regarding income tax returns.

Prepared By: Emily McPherson

Fiscal Analysis

From the Tax Commission:

To determine the potential revenue effect of this proposal, the prime lending rate of 3.25%[3] was used for interest assessed on tax delinquencies and interest paid on income tax refunds; 5.25% (prime plus 2%) was used for interest assessed on tax deficiencies[4]. Interest paid on income tax refunds and interest received on tax delinquencies and deficiencies for FY16 through FY20 was analyzed and compared to the proposed interest rate structure[5]. Based on this analysis, an average decrease in revenue of $20,448,000 per FY is projected. An estimated decrease of $9,202,000[6] should occur in FY22, with the full decrease in collections of $20,448,000 occurring in FY23. A one-time administrative cost of approximately $100,000 is anticipated for programming changes.

[3] https://www.wsj.com/market-data/bonds/moneyrates The Wall Street Journal prime lending rate of 3.25%, published February 2, 2021, was used in this analysis since that is the most recent rate available and is assumed to be the rate on the first business day in December 2021.
[4] This measure is effective November 1, 2021. The interest rate published December 1, 2021 will be in effect for calendar year 2022.
[5] Data from the OTC processing system was analyzed to determine the actual amount of interest on delinquent taxes compared to tax deficiencies, which showed that 30% of interest is attributable to tax deficiencies. This impact does not account for any potential increase in delinquent taxes or deficiencies as a result of lower interest rates.
[6] From FY16 through FY20; approximately 45% of the net interest was realized from January through June.

Prepared By: Mark Tygret

Other Considerations

None.