



A long-standing legacy in shaping Texas fiscal policy

FOR IMMEDIATE RELEASE
JAN. 28, 2021

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Two new TTARA reports find state's administration of taxes hurts taxpayers

The TTARA Research Foundation today released two new reports that assess aspects of Texas' tax administration that harm taxpayers.

In "[Losing Interest: Disparate Interest Rates Penalize Texas Taxpayers](#)," the Foundation assesses the unequal assessment of interest on taxes. Under Texas law, a taxpayer determined by the state to owe past-due tax is charged interest at a rate of 4.25%, or the prime rate plus 1% (plus a 10% penalty); however, if the state owes a refund to a taxpayer, it only pays interest at 0.511% -- eight times less than what the state makes taxpayers pay. Given that tax disputes may take years to resolve, that difference compounds over time, exacerbating the disparity. Even worse, before a taxpayer may take their case to court, Texas requires them to pay the amount in dispute. Even if a taxpayer ultimately prevails, it will have lost the use of those funds, possibly for years as the case winds through the court system, which it could have instead used for new investment and new jobs.

"Interest should reflect the time value of money, and it should not be used to additionally penalize taxpayers," TTARA President Dale Craymer said. "It is patently unfair to charge taxpayers a higher rate of interest than the state is willing to pay on its own obligations."

In "[What Are the Odds: Tax Disputes and the Role of the State Office of Administrative Hearings \(SOAH\)](#)," the Foundation reviewed the disposition of administrative hearings on tax matters at SOAH and found that taxpayers prevailed in less than 5% of all cases. The state has prevailed in 85% of cases, and the remaining decisions have been mixed. Under Texas law, taxpayers seeking to resolve a tax dispute are must first pursue an administrative hearing at SOAH before they are allowed to go to court. For many taxpayers, this can be a costly and unrewarding mandate.

Arizona recently responded to a similar review of their administrative hearings on tax issues and now allows taxpayers to challenge their assessment directly in court.

"If Texas were to allow taxpayers the option of going straight to court, it would speed the resolution of tax cases and reduce unnecessary administrative expenses," Craymer said.

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The Texas Taxpayers and Research Association (TTARA) is a non-profit, non-partisan membership-supported organization of businesses and individuals interested in state and local fiscal policies in Texas and the way those policies impact our economy.

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