

BILL ANALYSIS

C.S.H.B. 3016
By: Hill
Local Government Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The purpose of this bill is to provide a more equitable property tax treatment for drugs that are held in inventory for less than a temporary period by wholesale distributors.

Wholesale distributors sell drugs to hospitals and health care providers. Due to the nature of the health care industry and to the nature of drugs specifically, these distributors generally maintain an inventory of drugs in excess of what typical market demands would otherwise require in order to meet the demand of public health purposes, emergencies, disasters and homeland security concerns. The result is that they hold greater than market quantities of drugs in inventory and are taxed for property tax purposes in excess of the typical market place. This practice is in stark contrast to other businesses that must render for property tax purposes but attempt to deplete their inventories prior to the date of rendition.

This bill does not exempt drugs from property taxes but instead recognizes for purposes of jurisdiction to tax and situs these market factors and clarifies existing law to the circumstances of drug distributors.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

Section 1: This bill amends Section 23.12, Tax Code by adding new subsection (h), to clarify that drug supplies held in inventory for public health demands, emergency treatment or similar health care needs by wholesale drug distributors that are not pharmaceutical drug manufacturers, retail or chain pharmacies for less than sixty days are not subject to jurisdiction of the tax. Section (h) also describes the calculation that will be used by appraisal districts to determine the amount of inventory for drug supplies held in surplus for less than a temporary period.

Section 2: The effective date of this change would be January 1, 2006.

EFFECTIVE DATE

January 1, 2006

COMPARISON OF ORIGINAL TO SUBSTITUTE

In the originally filed bill, the language applied to all drugs. In the committee substitute, the language applies to only those drugs held in inventory by wholesalers as described above, including use for public health, emergency procedures, disasters and bioterrorism purposes. The substitute also further restricts that wholesalers must be pharmaceutical wholesalers who wholesale pharmaceuticals as a business and not pharmaceutical drug manufacturers, retail pharmacies or chain pharmacies that may also hold a wholesale distribution license for a specific business purpose other than to wholesale drugs. Finally, the substitute describes the calculation

that will be used by appraisal districts to determine the amount of inventory for drug supplies held in surplus for less than a temporary period.