

BILL ANALYSIS

H.B. 1459
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Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Since 1985, the Texas payphone industry has paid state sales tax on their revenue from coins. Other telecommunications providers pay sales tax, too, but pass the tax through to their customers on the customers' monthly bills. Since payphone providers do not send their customers a bill, these business owners must absorb the cost.

The impact of this non-transferable tax makes it increasingly difficult for the small business owners who provide a much-needed method of telecommunication to maintain their current levels of service. While the majority of Texans no longer rely on pay phones, many still do, including people who find themselves in an emergency and, for any number of reasons, have no immediate access to any other type of telecommunication.

HB 1459 creates a sales tax exemption for pay telephone coin sent-paid telephone calls. By reducing the tax burden, this change will help extend the life of the small, single-product telecommunications companies - that is, payphone providers - for at least a few more years.

RULEMAKING AUTHORITY

This bill does not expressly grant additional rulemaking authority to a state officer, department, agency or institution.

ANALYSIS

The bill would amend Chapter 151 of the Tax Code to exclude a pay telephone coin sent-paid telephone call from the definition of telecommunications services. A sales tax exemption would be created for these types of calls under the provisions of the bill.

The bill establishes that tax liability accrued before the effective date of the Act is not affected.

The bill would take effect September 1, 2007.

EFFECTIVE DATE

September 1, 2007