

BILL ANALYSIS

C.S.H.B. 1994
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Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Under the state margins tax, the tax base begins with gross revenue. From that base, the taxpayer may choose to subtract either "compensation," which is capped at \$300,000, or "cost of goods sold." The option not chosen to be subtracted remains in the tax base. If compensation is chosen for subtraction, all other expenses remain in the tax base and are subject to a one percent tax. In such a case, assuming a doctor or independently practicing advanced practice nurse chose to subtract compensation, all other office expenses remain in the tax base—including the cost of vaccines.

The administration of vaccines by physicians or advanced practice nurses is an important public health function. Many diseases, such as measles, pertussis, known as whooping cough, or influenza, are preventable through vaccination, but if contracted, may lead to severe illness or even death. Some physicians no longer provide immunizations to their patients because of the increasing cost of vaccines as well as varying reimbursement policies of insurance companies. As a result, the seemingly small one percent tax leveraged by the state margins tax ultimately serves as an unintentional barrier to physicians providing immunizations to their patients.

C.S.H.B. 1994 authorizes a doctor or advanced practice nurse to exclude the cost of vaccines from total revenue for purposes of calculating taxable margin.

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

C.S.H.B. 1994 amends provisions of the Tax Code relating to the franchise tax to allow a taxable entity to exclude from total revenue, for purposes of calculating taxable margin, the actual cost paid by the taxable entity for a vaccine that is to be administered by a licensed physician or by a person directed by a licensed physician. The bill defines "vaccine" as a preparation of dead, or live attenuated, viruses or bacteria used to prevent an infectious disease by inducing immunity.

EFFECTIVE DATE

January 1, 2010.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 1994 differs from the original by specifying that the vaccine for which the actual cost paid by the taxable entity may be excluded from total revenue, for purposes of calculating taxable margin, is a vaccine to be administered by a licensed physician or person directed by the physician, rather than a vaccine dispensed by one of them. The substitute removes a provision included in the original allowing a taxable entity to exclude from total revenue to a certain extent any fee received by the taxable entity for the vaccine dispensed.