BILL ANALYSIS

H.B. 1310
By: Button
Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Under current law, physicians can deduct either compensation or the cost of goods sold in computing their franchise tax liability. Interested parties note that, like most service industry businesses, physicians elect to deduct compensation expenses and pay a one percent tax on all other costs, including the purchase of vaccines. These parties assert that, as a result, the franchise tax burden on physicians who provide vaccines to their patients is significant because their businesses are actually a combination of physician services and vaccination sales. It is reported that, based on the current franchise tax structure, a physician typically loses money with every administration of a vaccine. H.B. 1310 seeks to lessen this burden by allowing a physician practice, in calculating its franchise tax liability, to exclude from its total revenue the actual cost paid for a vaccine.

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

H.B. 1310 amends the Tax Code to require a taxable entity that is a physician practice to exclude from its total revenue for purposes of the franchise tax the actual cost paid by the taxable entity for a vaccine. The bill defines "physician practice" as an entity that is owned entirely by one or more individuals licensed to practice medicine in Texas and that offers services, the provision of which is considered practicing medicine.

EFFECTIVE DATE

January 1, 2014.