

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 17, 2013

TO: Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB2288 by Zerwas (Relating to the exemption from sales and use taxes of certain health care supplies.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2288, As Introduced: a negative impact of (\$28,500,000) through the biennium ending August 31, 2015.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	(\$23,400,000)
2015	(\$5,100,000)
2016	(\$5,500,000)
2017	(\$5,900,000)
2018	(\$6,300,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund 1</i>	Probable Revenue (Loss) from <i>Cities</i>	Probable Revenue (Loss) from <i>Transit Authorities</i>	Probable Revenue (Loss) from <i>Counties and Special Districts</i>
2014	(\$23,400,000)	(\$4,300,000)	(\$1,500,000)	(\$700,000)
2015	(\$5,100,000)	(\$900,000)	(\$300,000)	(\$200,000)
2016	(\$5,500,000)	(\$1,000,000)	(\$300,000)	(\$200,000)
2017	(\$5,900,000)	(\$1,100,000)	(\$400,000)	(\$200,000)
2018	(\$6,300,000)	(\$1,200,000)	(\$400,000)	(\$200,000)

Fiscal Analysis

This bill would amend Section 151.313, Tax Code, with respect to definitions of certain exempt health care supplies.

Subdivision (11) of Section 151.313(a) would be amended to expand the exemption of hospital beds to include mattresses.

Subdivision (15) of Section 151.313(a) would be amended to expand the exemption of intravenous systems, supplies, and replacement parts used in the treatment of humans to include such items designed or intended to be used in diagnosis or treatment.

A new Subsection (e) of Section 151.313 would be added to expand the definition of "intravenous system" to include a product designed or intended to be used to administer fluids, electrolytes, blood and blood products, or drugs to patients, or to withdraw tissue samples, blood, or fluids from patients, without regard to whether the product is designed or intended to be inserted subcutaneously or into a vein, artery, cavity, muscle, organ, or other part of the body.

A new Subsection (f) of Section 151.313 would be added to describe a "hospital bed" and to expand the definition to include devices designed for use with the bed.

Section 2 of the bill would provide that the change in law made by the act is a clarification of existing law and does not imply that existing law may be construed as inconsistent with the law as amended by the act.

The bill would take effect September 1, 2013.

Methodology

The amendment of the definition of "intravenous system" would include currently taxable items such as systems to administer fluids subcutaneously or into arteries, muscles, cavities, or organs; this would apply to taxable items including needles other than hypodermic needles, surgical tools, drainage tubes and devices, arterial catheters, biopsy devices, dye injection apparatus, and insulin pumps. The amendment of the definition of "hospital bed" would include currently taxable items such as bed alarms, sheets, mattress pads, cushions, pillows, pillowcases, blankets, adjustable over bed tables, and trapeze bars. The SECTION 2 language with respect to construction of existing law would result in refund liabilities to tax on these items for the standard four year statute of limitations plus additional tolled periods. The estimate for fiscal 2014 substantially exceeds the annual estimates for years thereafter to reflect this multi-year refund liability. Estimates were developed from comptroller records on sales tax remittances from medical equipment suppliers, hospitals, clinics and offices of physicians, and audit experience.

Local Government Impact

There would be a corresponding loss of local sales and use tax revenue to local taxing jurisdictions.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD