

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 20, 2015

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3049 by Darby (Relating to the sales and use taxation of certain cleaning services in a licensed health care facility.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3049, As Introduced: a negative impact of (\$11,260,000) through the biennium ending August 31, 2017, if the bill takes immediate effect; or a negative impact of (\$10,930,000) through the biennium ending August 31, 2017, if the effective date of the bill is September 1, 2015.

All Funds, Six-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	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>
2015	(\$220,000)	(\$40,000)	(\$10,000)	(\$10,000)
2016	(\$9,630,000)	(\$1,780,000)	(\$610,000)	(\$330,000)
2017	(\$1,410,000)	(\$260,000)	(\$90,000)	(\$50,000)
2018	(\$1,470,000)	(\$260,000)	(\$90,000)	(\$50,000)
2019	(\$1,540,000)	(\$280,000)	(\$100,000)	(\$50,000)
2020	(\$1,610,000)	(\$300,000)	(\$100,000)	(\$50,000)

The above table assumes the bill takes effect immediately. The table below assumes the bill takes effect on September 1, 2015.

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	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>
2016	(\$9,520,000)	(\$1,750,000)	(\$600,000)	(\$320,000)
2017	(\$1,410,000)	(\$260,000)	(\$90,000)	(\$50,000)
2018	(\$1,470,000)	(\$270,000)	(\$90,000)	(\$50,000)
2019	(\$1,540,000)	(\$280,000)	(\$100,000)	(\$50,000)
2020	(\$1,610,000)	(\$300,000)	(\$100,000)	(\$50,000)

Fiscal Analysis

The bill would amend Chapter 151 of the Tax Code, regarding sales and use taxes.

The bill would add new Subsection (b-3) to Section 151.0048 to exclude the following services from the definition of real property service subject to the sales and use tax: environmental cleaning, disinfection, sanitation, and sterilization of patient care rooms and associated equipment, hallways, and diagnostic or treatment areas where patients or visitors are granted access in a licensed health care facility. The new subsection would not apply to cleaning of administrative offices, shops, or cafeterias inside such facility.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2015.

Methodology

The estimate is based on industry sources and disputed amounts in hearings regarding taxation of specialized cleaning or janitorial services performed for for-profit hospitals and health care facilities.

SECTION 2 of the bill includes language asserting that the change in law is a clarification and that prior law is not to be construed otherwise; this language would serve as the basis for refund requests with respect to sales tax paid prior to the effective date of the bill. The estimate for fiscal year 2016 includes a reserve for refunds.

Local Government Impact

There would be a proportional loss of sales and use tax revenue from local taxing jurisdictions.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD