

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: **HB3542** by Raymond (Relating to the sales and use tax exemption for certain data processing services.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3542, As Introduced: a negative impact of (\$1,000,000) through the biennium ending August 31, 2017.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	(\$500,000)
2017	(\$500,000)
2018	(\$500,000)
2019	(\$500,000)
2020	(\$500,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from General Revenue Fund 1	Probable Revenue (Loss) from Cities	Probable Revenue (Loss) from Transit Authorities	Probable Revenue (Loss) from Counties and Special Districts
2016	(\$500,000)	(\$90,000)	(\$30,000)	(\$20,000)
2017	(\$500,000)	(\$90,000)	(\$30,000)	(\$20,000)
2018	(\$500,000)	(\$90,000)	(\$30,000)	(\$20,000)
2019	(\$500,000)	(\$90,000)	(\$30,000)	(\$20,000)
2020	(\$500,000)	(\$90,000)	(\$30,000)	(\$20,000)

Fiscal Analysis

The bill would amend Chapter 151 of the Tax Code, to provide for a sales tax exemption for certain data processing services.

New Section 151.351(b) would be added to provide that data processing services purchased in connection with an electronic visit verification (EVV) system are exempt from the sales tax. In order to qualify for the sales tax exemption, the purchase of data processing services must be

related to an EVV system that electronically verifies and documents information related to the delivery of health care services provided under the Medicaid or child health plan programs.

The bill would take effect September 1, 2015.

Methodology

Beginning April 16, 2015, the Health and Human Services Commission (HHSC) requires that Medicaid-enrolled service providers subject to EVV use an HHSC approved EVV system to record on-site visitations. EVV is a telephone and computer-based system that electronically verifies service visits and records the service beginning and ending times.

HHSC is implementing EVV through their Managed Care Organizations (MCO) and Medicaid Management Information Systems (MMIS) contractor Accenture, and has certified three EVV vendors.

The phrase "purchased in connection with" is ambiguous. HHSC interprets the purpose of the proposed exemption is to exempt managed care organizations from payment of sales tax when purchasing EVV service. However, the bill language may be construed to exempt EVV service providers from payment of tax on other data processing services.

Payment of sales tax by MCOs on the purchase of EVV services was not contemplated as part of the biennial revenue estimate; consequently, the exemption of such purchases would have no fiscal implications.

However, the bill language also may imply a basis for EVV vendors to claim exemption on their purchases of other taxable data processing services (e.g. payroll processing services, web hosting services). Given this possibility, a prudential reduction in estimated available revenue is warranted.

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