

# SENATE AMENDMENTS

2<sup>nd</sup> Printing

By: Bonnen of Galveston

H.B. No. 1841

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the applicability of the sales and use tax to certain  
3 insurance services.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Section 151.0039, Tax Code, is amended to read as  
6 follows:

7 Sec. 151.0039. "INSURANCE SERVICE". (a) Except as  
8 provided in Subsection (b), "insurance [~~Insurance~~ service" means  
9 insurance loss or damage appraisal, insurance inspection,  
10 insurance investigation, insurance actuarial analysis or research,  
11 insurance claims adjustment or claims processing, or insurance loss  
12 prevention service.

13 (b) "Insurance service" does not include:

14 (1) insurance coverage for which a premium is paid or  
15 commissions paid to insurance agents for the sale of insurance or  
16 annuities;

17 (2) a service performed on behalf of an insured by a  
18 person licensed under Chapter 4102, Insurance Code; or

19 (3) a service provided by a person certified as a  
20 public accountant under Chapter 901, Occupations Code.

21 SECTION 2. The change in law made by this Act does not  
22 affect taxes imposed before the effective date of this Act, and the  
23 law in effect before the effective date of this Act is continued in  
24 effect for purposes of the liability for and collection of those

1 taxes.

2 SECTION 3. This Act takes effect October 1, 2015.

# ADOPTED

MAY 24 2015

*Atty. Gen.*  
Secretary of the Senate

FLOOR AMENDMENT NO. 1

BY: Chad Perry

1 Amend H.B. No. 1841 (senate committee report) in SECTION 1 of  
2 the bill as follows:

3 (1) In added Section 151.0039(b)(1), Tax Code (page 1, line  
4 39), after the underlined semicolon, insert "or".

5 (2) In amended Section 151.0039(b), Tax Code (page 1, lines  
6 41-43), strike the following:

7 ; or

8 (3) a service provided by a person certified as a  
9 public accountant under Chapter 901, Occupations Code

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**May 25, 2015**

**TO:** Honorable Joe Straus, Speaker of the House, House of Representatives

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB1841** by Bonnen, Greg (Relating to the applicability of the sales and use tax to certain insurance services.), **As Passed 2nd House**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1841, As Passed 2nd House: a negative impact of (\$2,000,000) 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        | (\$1,000,000)  |
| 2017        | (\$1,000,000)  |
| 2018        | (\$1,000,000)  |
| 2019        | (\$1,000,000)  |
| 2020        | (\$1,000,000)  |

**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        | (\$1,000,000)                                       | (\$184,000)                         | (\$63,000)                                       | (\$34,000)  |
| 2017        | (\$1,000,000)                                       | (\$184,000)                         | (\$63,000)                                       | (\$34,000)  |
| 2018        | (\$1,000,000)                                       | (\$184,000)                         | (\$63,000)                                       | (\$34,000)  |
| 2019        | (\$1,000,000)                                       | (\$184,000)                         | (\$63,000)                                       | (\$34,000)  |
| 2020        | (\$1,000,000)                                       | (\$184,000)                         | (\$63,000)                                       | (\$34,000)  |

**Fiscal Analysis**

The bill would amend Section 151.0039 of the Tax Code, regarding sales and use taxes, to exclude from the definition of "insurance service" a service performed on behalf of an insured by a public insurance adjuster licensed under Chapter 4102, Insurance Code.

This bill would take effect October 1, 2015.

## **Methodology**

Comptroller data was collected on taxable sales in the insurance adjusting sector, and sales tax data was adjusted for the market share of public insurance adjusting in Texas. Sales tax loss data was extrapolated through 2020.

## **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

**LEGISLATIVE BUDGET BOARD  
Austin, Texas**

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**May 14, 2015**

**TO:** Honorable Jane Nelson, Chair, Senate Committee on Finance

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB1841** by Bonnen, Greg (Relating to the applicability of the sales and use tax to certain insurance services.), **As Engrossed**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1841, As Engrossed: a negative impact of (\$13,880,000) 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        | (\$6,800,000)  |
| 2017        | (\$7,080,000)  |
| 2018        | (\$7,370,000)  |
| 2019        | (\$7,690,000)  |
| 2020        | (\$8,030,000)  |

**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        | (\$6,800,000)                                       | (\$1,250,000)                       | (\$430,000)                                      | (\$230,000)   |
| 2017        | (\$7,080,000)                                       | (\$1,310,000)                       | (\$450,000)                                      | (\$240,000)   |
| 2018        | (\$7,370,000)                                       | (\$1,360,000)                       | (\$470,000)                                      | (\$250,000)   |
| 2019        | (\$7,690,000)                                       | (\$1,420,000)                       | (\$490,000)                                      | (\$260,000)   |
| 2020        | (\$8,030,000)                                       | (\$1,480,000)                       | (\$510,000)                                      | (\$270,000)   |

**Fiscal Analysis**

The bill would amend Section 151.0039 of the Tax Code, regarding sales and use taxes, to exclude from the definition of "insurance service" a service: 1) performed on behalf of an insured by a public insurance adjuster licensed under Chapter 4102, Insurance Code, or 2) provided by a person certified as a public accountant under Chapter 901, Occupations Code.

The bill would take effect October 1, 2015.

## **Methodology**

Comptroller data on taxable sales in the insurance services and accounting sectors were adjusted to shares expected to be exempted by the bill, multiplied by the state sales tax rate, and extrapolated through 2020.

## **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

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**April 6, 2015**

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

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB1841** by Bonnen, Greg (Relating to the applicability of the sales and use tax to certain insurance services.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1841, As Introduced: a negative impact of (\$2,000,000) through the biennium ending August 31, 2017.

**General Revenue-Related Funds, Five-Year Impact:**

| Fiscal Year | Probable Net Positive/(Negative) Impact<br>to General Revenue Related Funds |
|-------------|---|
| 2016        | (\$1,000,000)   |
| 2017        | (\$1,000,000)   |
| 2018        | (\$1,000,000)   |
| 2019        | (\$1,000,000)   |
| 2020        | (\$1,000,000)   |

**All Funds, Five-Year Impact:**

| Fiscal Year | Probable Revenue<br>(Loss) from<br><i>General Revenue Fund</i><br>1 | Probable Revenue<br>(Loss) from<br><i>Cities</i> | Probable Revenue<br>(Loss) from<br><i>Transit Authorities</i> | Probable Revenue<br>(Loss) from<br><i>Counties and Special<br/>Districts</i> |
|-------------|---|--|---|--|
| 2016        | (\$1,000,000)   | (\$184,000)                                      | (\$63,000)  | (\$34,000)   |
| 2017        | (\$1,000,000)   | (\$184,000)                                      | (\$63,000)  | (\$34,000)   |
| 2018        | (\$1,000,000)   | (\$184,000)                                      | (\$63,000)  | (\$34,000)   |
| 2019        | (\$1,000,000)   | (\$184,000)                                      | (\$63,000)  | (\$34,000)   |
| 2020        | (\$1,000,000)   | (\$184,000)                                      | (\$63,000)  | (\$34,000)   |

**Fiscal Analysis**

The bill would amend Section 151.0039 of the Tax Code, regarding sales and use taxes, to exclude from the definition of "insurance service" a service performed on behalf of an insured by a public insurance adjuster licensed under Chapter 4102, Insurance Code.

This bill would take effect October 1, 2015.



## **Methodology**

Comptroller data was collected on taxable sales in the insurance adjusting sector, and sales tax data was adjusted for the market share of public insurance adjusting in Texas. Sales tax loss data was extrapolated through 2020.

## **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

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**TAX/FEE EQUITY NOTE**

**84TH LEGISLATIVE REGULAR SESSION**

**April 6, 2015**

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

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB1841** by Bonnen, Greg (Relating to the applicability of the sales and use tax to certain insurance services.), **As Introduced**

No statistically significant impact on the overall distribution of a state tax or fee burden among individuals and businesses is anticipated from the provisions of this bill.

**Source Agencies:**

**LBB Staff:** UP, KK