

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 25, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3549 by Wray (Relating to a sales and use tax exemption for certain cleaning services performed for a health care facility.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3549, As Introduced: a negative impact of (\$2,170,000) through the biennium ending August 31, 2019, if the bill takes immediate effect; or a negative impact of (\$1,880,000) through the biennium ending August 31, 2019, if the effective date of the bill is September 1, 2017.

All Funds, Six-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	Probable Revenue (Loss) from <i>State Highway Fund</i> 6	Probable Revenue (Loss) from <i>Cities</i>	Probable Revenue (Loss) from <i>Transit Authorities</i>
2017	(\$290,000)	\$0	(\$60,000)	(\$20,000)
2018	\$0	(\$1,800,000)	(\$350,000)	(\$120,000)
2019	(\$1,880,000)	\$0	(\$360,000)	(\$120,000)
2020	(\$1,960,000)	\$0	(\$380,000)	(\$130,000)
2021	(\$2,050,000)	\$0	(\$390,000)	(\$140,000)
2022	(\$2,140,000)	\$0	(\$410,000)	(\$140,000)

Fiscal Year	Probable Revenue (Loss) from Counties & Special Districts
2017	(\$10,000)
2018	(\$60,000)
2019	(\$70,000)
2020	(\$70,000)
2021	(\$70,000)
2022	(\$70,000)

The above tables assume the bill takes immediate effect. The tables below assume the bill takes effect on September 1, 2017.

Fiscal Year	Probable (Cost) from General Revenue Fund 1	Probable (Cost) from State Highway Fund 6	Probable (Cost) from Cities	Probable (Cost) from Transit Authorities
2018	\$0	(\$1,650,000)	(\$320,000)	(\$110,000)
2019	(\$1,880,000)	\$0	(\$360,000)	(\$120,000)
2020	(\$1,960,000)	\$0	(\$380,000)	(\$130,000)
2021	(\$2,050,000)	\$0	(\$390,000)	(\$140,000)
2022	(\$2,140,000)	\$0	(\$410,000)	(\$140,000)

Fiscal Year	Probable (Cost) from Counties & Special Districts
2018	(\$60,000)
2019	(\$70,000)
2020	(\$70,000)
2021	(\$70,000)
2022	(\$70,000)

Fiscal Analysis

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

The bill would add Section 151.3502 to exempt, when performed for a health care facility, cleaning, janitorial or custodial services performed inside the health care facility, and cleaning patient care equipment, tools or devices.

The bill would take effect immediately upon enactment, assuming it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2017.

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.

Pursuant to Proposition 7 (2015), any sales tax collections in excess of \$28 billion and less than

\$30.5 billion will be deposited into the State Highway Fund. Because total 2018 collections are projected to fall in that range, the 2018 revenue loss is from the State Highway Fund instead of General Revenue.

Local Government Impact

There would be a corresponding loss of sales and use tax revenue to local taxing jurisdictions. The estimates of those losses are displayed in the above tables.

Source Agencies: 304 Comptroller of Public Accounts

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