86R11371 GRM-F

By:  Sanford H.B. No. 3787

A BILL TO BE ENTITLED

AN ACT

relating to the application of the sales and use tax to certain property and services.

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

SECTION 1.  Section 151.0028, Tax Code, is amended by amending Subsection (b) and adding Subsection (c) to read as follows:

(b)  "Amusement services" includes:

(1)  membership in a private club or organization that provides entertainment, recreational, sports, dining, or social facilities to its members; and

(2)  an admission or ticket to an amusement service.

(c)  "Amusement services" does not include services provided through coin-operated machines that are operated by the consumer.

SECTION 2.  Section 151.0045, Tax Code, is amended to read as follows:

Sec. 151.0045.  "PERSONAL SERVICES". "Personal services" means those personal services listed as personal services under Group 721, Major Group 72 of the Standard Industrial Classification Manual, 1972, and includes massage parlors, escort services, and Turkish baths under Group 729 of said manual but does not include any other services listed under Group 729 unless otherwise covered under this chapter [~~Act~~], prepared by the statistical policy division of the office on management and budget, office of the president of the United States. The term does not include services provided through coin-operated machines that are operated by the consumer.

SECTION 3.  Section 151.006, Tax Code, is amended by amending Subsections (a) and (c) and adding Subsection (e) to read as follows:

(a)  "Sale for resale" means a sale of:

(1)  tangible personal property or a taxable service to a purchaser who acquires the property or service for the purpose of reselling it [~~with or~~] as a taxable item as defined by Section 151.010 in the United States of America or a possession or territory of the United States of America or in the United Mexican States in the normal course of business in the form or condition in which it is acquired or as an attachment to or integral part of other tangible personal property or taxable service;

(2)  tangible personal property to a purchaser for the sole purpose of the purchaser's leasing or renting it in the United States of America or a possession or territory of the United States of America or in the United Mexican States in the normal course of business to another person, but not if incidental to the leasing or renting of real estate;

(3)  tangible personal property to a purchaser who acquires the property for the purpose of transferring it in the United States of America or a possession or territory of the United States of America or in the United Mexican States as an integral part of a taxable service;

(4)  a taxable service performed on tangible personal property that is held for sale by the purchaser of the taxable service; or

(5)  [~~except as provided by Subsection (c),~~] tangible personal property or a taxable service to a purchaser who acquires the property or service for the purpose of transferring it as an integral part of performing a contract, or a subcontract of a contract, for the sale of tangible personal property with an entity or organization exempted from the taxes imposed by this chapter under Section 151.309 or 151.310 [~~the federal government~~] only if the purchaser:

(A)  allocates and bills to the contract the cost of the property or service as a direct or indirect cost; and

(B)  transfers title to the property to the exempt entity or organization [~~federal government~~] under the contract and any applicable [~~federal~~] acquisition regulations.

(c)  A sale for resale does not include the sale of tangible personal property or a taxable service to a purchaser who acquires the property or service for the purpose of performing a contract, or a subcontract of a contract, for a service not listed as a taxable service under Section 151.0101 [~~service that is not taxed under this chapter~~], regardless of whether title transfers to the service provider's customer, unless the tangible personal property or taxable service is purchased for the purpose of reselling it to the United States in a contract, or a subcontract of a contract, with any branch of the Department of Defense, Department of Homeland Security, Department of Energy, National Aeronautics and Space Administration, Central Intelligence Agency, National Security Agency, National Oceanic and Atmospheric Administration, or National Reconnaissance Office to the extent allocated and billed to the contract with the federal government.

(e)  A sale for resale does not include the sale of tangible personal property to a purchaser who acquires the property for the purpose of using, consuming, or expending it in, or incorporating it into, an oil or gas well in the performance of an oil well service taxable under Chapter 191.

SECTION 4.  Section 151.302, Tax Code, is amended by adding Subsection (b-1) to read as follows:

(b-1)  A taxable service used to perform a taxable service is not considered resold unless the purchaser acquires the service for the purpose of transferring it as an integral part of performing a taxable service.

SECTION 5.  Section 151.338, Tax Code, is amended to read as follows:

Sec. 151.338.  ENVIRONMENT AND CONSERVATION SERVICES. (a) Subject to Subsections (b) and (c), labor to [~~The services involved in the~~] repair, remodel, maintain, or restore [~~remodeling, maintenance, or restoration of~~] tangible personal property is exempted from the taxes imposed by [~~are not taxable under~~] this chapter if:

(1)  the repair, remodeling, maintenance, or restoration is required by statute, ordinance, order, rule, or regulation of any commission, agency, court, or political, governmental, or quasi-governmental entity in order to protect the environment or to conserve energy; and

(2)  the charge for the labor is itemized separately from the charge for materials furnished.

(b)  The exemption provided by Subsection (a) does not apply to the charge for materials furnished by the service provider to the purchaser as part of the service.

(c)  Sixty-five percent of a lump-sum charge for labor and materials to repair, remodel, maintain, or restore tangible personal property is exempted from the taxes imposed by this chapter if:

(1)  the repair, remodeling, maintenance, or restoration is required under the circumstances described by Subsection (a)(1); and

(2)  the labor and materials are purchased for a health care facility, as defined by Section 108.002, Health and Safety Code, or for an oncology center.

SECTION 6.  Section 151.335, Tax Code, is repealed.

SECTION 7.  The amendments made by this Act are a clarification of existing law and do not imply that existing law may be construed as inconsistent with the law as amended by this Act.

SECTION 8.  This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect October 1, 2019.