

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

**FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION
Revision 1**

April 11, 2021

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB775 by Nichols (Relating to the applicability of the sales and use tax to medical billing services.),
As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for SB775, As Introduced : a negative impact of (\$1,400,000) through the biennium ending August 31, 2023.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2022	(\$630,000)
2023	(\$770,000)
2024	(\$860,000)
2025	(\$970,000)
2026	(\$1,090,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue (Loss) from General Revenue Fund 1	Probable Revenue (Loss) from Cities	Probable Revenue (Loss) from Transit Authorities	Probable Revenue (Loss) from Counties & Special Districts
2022	(\$630,000)	(\$120,000)	(\$40,000)	(\$30,000)
2023	(\$770,000)	(\$140,000)	(\$50,000)	(\$30,000)
2024	(\$860,000)	(\$160,000)	(\$50,000)	(\$30,000)
2025	(\$970,000)	(\$180,000)	(\$60,000)	(\$40,000)
2026	(\$1,090,000)	(\$200,000)	(\$70,000)	(\$40,000)

Fiscal Analysis

The bill would amend Chapter 151, Tax Code, relating to sales and use taxation of insurance services.

Section 151.0039 would be amended to provide that a medical billing service is not a taxable insurance service.

“Medical billing service” would be defined as assigning codes for medical claims, verifying medical insurance eligibility, preparing medical claim forms, and filing medical claims.

The bill would take effect September 1, 2021.

Methodology

Current Comptroller policy excludes from the definition of insurance service certain medical billing services performed prior to the original claim submission. The bill would expand that exclusion to all medical billing services.

Taxpayer data were used to estimate sales tax remittances for services that would be exempted by the bill and extrapolated through fiscal 2026.

Local Government Impact

There would be a proportional loss of sales and use tax revenue from units of local government.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD