

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 1122
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Business & Commerce
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.B. 1122 exempts medical examinations or services performed under the designated doctor program from sales and use tax. A designated doctor is a neutral and independent doctor selected, certified, and trained by the Division of Workers' Compensation (DWC) to answer complex medical questions about work-related injuries or occupational illnesses and perform medical examinations and services to determine what benefits an injured employee is entitled.

In October 2022, the Comptroller of Public Accounts of the State of Texas (comptroller) issued a private ruling stating that charges for designated doctor examinations are considered "insurance services" and are subject to Texas sales and use tax. The ruling imposed an unanticipated requirement for doctors to collect sales tax when performing exams that are ordered by the DWC.

In May 2022, the comptroller issued a memo delaying implementation of the guidance provided in the private letter ruling until after the 2023 legislative session to allow DWC and workers' compensation system participants time to seek a legislative change.

S.B. 1122 seeks this legislative change by exempting from sales and use tax any medical examination or service necessary to determine what medical benefits are due to an injured employee under the Texas Workers' Compensation Act.

C.S.S.B. 1122 amends the definition of "insurance services" in §151.0039(b), Tax Code, to specifically exclude any medical examination, service, or test performed to determine the appropriate level of workers' compensation benefits under Subtitle A, Title 5, Labor Code, Chapter 408. C.S.S.B. 1122 language was requested by the comptroller's office to simplify the bill. The committee substitute change ensures that similar exams and services conducted by health care providers that determine the level of workers' compensation benefits will not be considered "insurance services" subject to sales and use tax.

C.S.S.B. 1122 amends current law relating to the exclusion of certain medical services performed to determine an appropriate level of workers' compensation benefits from sales and use taxes.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 151.0039(b), Tax Code, as follows:

(b) Provides that "insurance service" does not include:

(1)-(3) makes no changes to these subdivisions;

(4)-(5) makes nonsubstantive changes to these subdivisions; or

(6) a medical service, examination, or test required or authorized under Chapter 408 (Workers' Compensation Benefits), Labor Code, for the purpose of determining the appropriate level of benefits under that chapter.

SECTION 2. Provides that the changes in law made by this Act do not affect tax liability accruing before the effective date of this Act. Provides that that liability continues in effect as if this Act had not been enacted, and the former law is continued in effect for the collection of taxes due and for civil and criminal enforcement of the liability for those taxes.

SECTION 3. Effective date: upon passage or September 1, 2023.