

SUBJECT: Excluding certain medical or dental billing services from sales and use tax

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 10 ayes — Meyer, Thierry, Button, Cole, Guerra, Martinez Fischer,
Murphy, Noble, Rodriguez, Shine

0 nays

1 absent — Sanford

WITNESSES: For — Yasser Zeid, Texas Medical Association; (*Registered, but did not testify*: Steve Bresnen, Association of Dental Support Organizations; Mark Vane, Husch Blackwell Strategies; Kyle Frazier, Patient Choice Coalition of Texas; Marshall Kenderdine, Texas Academy of Family Physicians and Texas Society for Gastroenterology and Endoscopy; Kaden Norton, Texas Chiropractic Association; Price Ashley, Texas College of Emergency Physicians, Texas Radiological Society, and Texas Society of Pathologists; Eric Woomer, Texas Dermatological Society, Federation of Texas Psychiatry, and Texas Pediatric Society; Nora Belcher, Texas e-Health Alliance; Cameron Duncan, Texas Hospital Association; Clayton Stewart, Texas Medical Association)

Against — None

On — (*Registered, but did not testify*: Karey Barton, Comptroller of Public Accounts)

BACKGROUND: Tax Code sec. 151.0039 defines "insurance service" as insurance loss or damage appraisal, inspection, investigation, actuarial analysis or research, claims adjustment or processing, or loss prevention service. Sec. 151.0101 specifies that insurance services are taxable services under the Limited Sales, Excise, and Use Tax Act.

DIGEST: CSHB 1445 would specify that insurance services subject to sales and use taxes did not include a medical or dental billing service performed before

the original submission of:

- a medical or dental insurance claim related to health or dental coverage; or
- a claim related to health or dental coverage made to a medical assistance program funded by the federal or state government.

The bill would define "medical or dental billing service" as assigning codes for the preparation of a medical or dental claim, verifying insurance eligibility, preparing a claim form for filing, and filing a claim.

The bill would take effect January 1, 2022, and would not affect tax liability accruing before that date.

**SUPPORTERS
SAY:**

CSHB 1445 would clarify that certain medical or dental billing services were not insurance services subject to sales and use taxes, ensuring that Texans did not face increases in health care costs. From 2002 to 2019, the comptroller held that claims processing did not begin until an insurance company received a claim, so these billing services were exempt from taxation. However, upon further review, it was determined there was not a statutory provision strictly excluding those services from sales and use taxes. CSHB 1445 would codify the sales tax exemption for certain insurance billing services, preventing an increased tax burden from being imposed on medical practices and being passed on to Texans through higher medical bills.

**CRITICS
SAY:**

No concerns identified.