

## **BILL ANALYSIS**

C.S.H.B. 2381  
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Ways & Means  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Interested parties suggest that, even though traditional certified public accountancy services are not intended to be subject to the sales and use tax applicable to certain insurance services, there are instances in which the tax has been applied. C.S.H.B. 2381 seeks to address this issue by creating a limited sales and use tax exemption for a service performed by or on behalf of certain certified public accountancy firms.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

C.S.H.B. 2381 amends the Tax Code to exempt from the sales and use tax a service performed by a certified public accountancy firm, if less than one percent of the firm's total revenue in the prior calendar year is from services in Texas that would otherwise constitute taxable insurance service, and a service performed on behalf of a certified public accountancy firm by an owner of the firm or a member of the firm's affiliated group, if less than one percent of the owner's or member's total revenue in the prior calendar year is from services in Texas that would otherwise constitute taxable insurance service.

### **EFFECTIVE DATE**

January 1, 2018.

### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 2381 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

#### **INTRODUCED**

SECTION 1. Section 151.0039(b), Tax Code, is amended to read as follows:

#### **HOUSE COMMITTEE SUBSTITUTE**

SECTION 1. Section 151.0039, Tax Code, is amended by amending Subsection (b) and adding Subsection (c) to read as follows:

85R 25514

17.112.175

Substitute Document Number: 85R 20030

(b) "Insurance service" does not include:  
(1) insurance coverage for which a premium is paid or commissions paid to insurance agents for the sale of insurance or annuities; ~~[ø]~~  
(2) a service performed on behalf of an insured by a person licensed under Chapter 4102, Insurance Code; or  
(3) a service performed by a certified public accountancy firm, as that term is defined by Section 901.002, Occupations Code, if less than one percent of the firm's revenue in the calendar year is from services in this state that would otherwise constitute insurance service under Subsection (a).

*(See Sec. 151.0039(b)(3) above.)*

SECTION 2. The change in law made by this Act does not affect tax liability accruing before the effective date of this Act. 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. This Act takes effect January 1, 2018.

(b) "Insurance service" does not include:  
(1) insurance coverage for which a premium is paid or commissions paid to insurance agents for the sale of insurance or annuities; ~~[ø]~~  
(2) a service performed on behalf of an insured by a person licensed under Chapter 4102, Insurance Code;  
(3) a service performed by a certified public accountancy firm, if less than one percent of the firm's total revenue in the prior calendar year is from services in this state that would otherwise constitute insurance service under Subsection (a); or

(4) a service performed on behalf of a certified public accountancy firm by an owner of the firm or a member of the firm's affiliated group, if less than one percent of the owner's or member's total revenue in the prior calendar year is from services in this state that would otherwise constitute insurance service under Subsection (a).

(c) In this section:

(1) "Affiliated group" has the meaning assigned by Section 171.0001.

(2) "Certified public accountancy firm" has the meaning assigned by Section 901.002, Occupations Code.

SECTION 2. Same as introduced version.

SECTION 3. Same as introduced version.