

SUBJECT: Revisions to tax administration and collection procedures

COMMITTEE: Ways and Means — favorable, with amendments

VOTE: 6 ayes — Craddick, Ramsay, Heflin, Holzheuser, Horn, Thompson
0 nays
5 absent — Grusendorf, Oliveira, Stiles, Telford, Williamson

SENATE VOTE: On final passage, Local and Uncontested Calendar, April 10 — 31-0

WITNESSES: None

DIGEST: SB 862, as amended, would make changes to tax collections procedures, record storage, taxpayer suits, tax liens, and to various taxes including the sales and use tax, motor vehicles sales and rental taxes, gas production taxes and inheritance taxes.

The proposed changes would:

- delete certain references in law regarding the state comptroller's authority over the state lottery now transferred to the State Lottery Commission;
- allow the comptroller to advertise the sale of seized property valued at \$40,000 by any reasonable and cost-effective method;
- place an additional penalty of 50 percent on tax due if no other penalty for fraud or intent to evade the tax was specifically provided or and the taxpayer engaged in fraudulent conduct;
- prohibit the comptroller from issuing a tax refund to a taxpayer or person who collected taxes for another person unless all of the refund went to the person from whom the taxes were collected;

- define “new product” to mean a product with different properties and a different commercial application than the product previously manufactured or processed by the same producer and not created by straining or purifying an existing product or by making cosmetic changes, such as adding or removing color or odor to the existing product;
- add builders, developers, speculative builders or anyone acting as a builder to improve residential property to the definition of “contractor”;
- exempt employees of staff leasing companies from the sales and use tax;
- specify that the sales tax on computer software related to the design and writing of the code or program would include testing or demonstration of the software;
- specify that items valued at \$5,000 or less sold at auction by certain tax exempt organizations, including religious, educational and charitable organizations, would be exempt from the sales tax;
- exempt video court reporting services providing filmed documentation of a court proceeding from sales taxes;
- require that drilling and completion costs for a recompletion of a high-cost gas well only include current costs associated with the recompletion; and
- require that additional inheritance tax due resulting from a federal audit would have to be paid to the comptroller no later than the 30th day after the receipt of the final assessment and determination of the estate.

The bill would also allow the comptroller to store and maintain state records by electronic means and outline the place and manner of keeping the records.

The bill would prevent a state agency from accepting a bid from or awarding a contract to an individual living outside the state or a business entity not

incorporated in Texas or whose principal domicile was not in Texas unless the person or business held a sales tax permit issued by the comptroller or certified that it did not sell in the state property or services that were subject to the sales tax.

The bill also would change procedures for the state comptroller's annual study to determine the taxable value of property in each school district for the purpose of allocating state public education funds. It would specify that the presumed taxable value of the local district property would be based on market value less allowable exemptions and increase the period a school district could appeal the property valuation study from 30 days to 40 days, to reflect current comptroller policy.

The bill also would transfer provisions relating to review of appraisal districts methods, standards and procedures for property valuation from the Government Code to the Tax Code, and give the comptroller authority to receive materials necessary to perform the school district property value and appraisal district studies.

NOTES:

The committee amendment would add the provisions relating to the comptroller's annual study.