

SUBJECT: Comptroller cleanup tax and fee legislation

COMMITTEE: Ways and Means — favorable, with amendments

VOTE: 9 ayes — Oliveira, McCall, Bonnen, Craddick, Heflin, Hilbert, Keffer, T. King, Ramsay

0 nays

2 absent — Y. Davis, Sadler

SENATE VOTE: On final passage, April 29 — 30-0

WITNESSES: None

BACKGROUND: Each legislative session, the comptroller presents suggestions for correcting technical errors, ambiguous wording, and outdated references in the Tax Code and other laws relating to the administration, collection, and enforcement of taxes.

DIGEST: SB 1488, as amended, would revise numerous provisions in the Tax Code and would make other conforming changes. Among other clarifications, the bill would address:

- ! the intent of sales-tax exemptions for manufacturing equipment enacted last session;
- ! administration of local sales and use taxes in certain overlapping districts;
- ! sales-tax exemptions for certain types of media not listed in statute;
- ! reporting of insurance taxes; and
- ! standardizing tobacco tax collection with other reporting and collection procedures for taxes collected by the comptroller.

The bill would specify certain categories of manufacturing equipment and materials exempt from the sales tax, including electrical transformers and related equipment; lubricants, chemicals, gases, and other substances and certain tangible personal property used in manufacturing; and certain printing equipment.

SB 1488 would specify that the sales-tax exemption for periodicals and writing includes those presented on audio tape, videotape, and computer disk. The bill would exempt certain tangible personal property relating to production of a motion picture or a video or audio recording or a broadcast. It also would specify the uses of natural gas and electricity that are and are not exempt from the sales tax.

The bill would allow for a reduction in local sales and use taxes owed when a municipality was subject to overlapping taxes from other local government entities. It would require municipalities to maintain accurate records of receipts and expenditures from the local hotel occupancy tax.

SB 1488 would define the exemption from sales, excise, and use taxes that an employee of a property management company could claim under certain conditions. The exemption would not apply to services performed for nonpermanent assignments. The property management company would have to meet certain conditions for the exemption to apply.

The bill would clarify the definition of a retailer for purposes of determining who can claim a sales-tax refund for bad debt expense.

SB 1448 would extend from March 1 to May 15 of every year the deadline for filing a report and payment of taxes for independently procured insurance. It would make several minor changes to filing requirements for surplus lines agents and would require that these agents make a tax prepayment at any time taxes due equal or exceed \$70,000. The bill would specify that premiums on policies, insurance contracts, or agreements with health-maintenance organizations are not subject to taxes, fees, and surcharges.

The comptroller's tax incidence and exemption study would have to include, among other information, the impact on total income by income class of each tax-reduction measure.

Most of the provisions of this bill would take effect October 1, 1999, while other provisions would take effect January 1, 2000.

NOTES:

The House committee amendment to the Senate-passed bill would:

- ! specify that the comptroller's tax incidence study would have to include the effect on total income by income class of each provision reducing the amount of tax payable;
- ! identify the uses for which electricity and natural gas are exempt from the sales tax; and
- ! amend the definition of hotel occupancy tax revenue and adding a provision to require that a municipality maintain accurate records of the receipt and expenditure of hotel occupancy taxes.