

- SUBJECT:** Modifying the sales tax exemption on services by temporary employees
- COMMITTEE:** Ways and Means — committee substitute recommended
- VOTE:** 11 ayes — D. Bonnen, Y. Davis, Bohac, Darby, E. Johnson, Murphy, Murr, Raymond, Shine, Springer, Stephenson
- 0 nays
- WITNESSES:** For — Pamela Bratton, Meador Staffing Services, the Texas Association of Staffing
- Against — (*Registered, but did not testify:* Adam Cahn, Cahnman's Musings)
- On — (*Registered, but did not testify:* Karey Barton, Comptroller of Public Accounts)
- BACKGROUND:** Tax Code, sec. 151.057 provides that certain services performed by employees are not taxable. These include services performed by employees of temporary employment services, as long as:
- the service is normally performed by the host employer's own employees;
 - the host employer provides all necessary supplies and equipment; and
 - the temporary employee is under the direct or general supervision of the host employer.
- DIGEST:** CSHB 4052 would add to requirements under Tax Code, sec. 151.057 to qualify for an exemption. Under the bill, a service performed by employees of temporary employment services would be exempt only if, in addition to the current requirements:
- the host employer did not in any fashion acquire from the

temporary employment service any necessary supplies, other than personal protective equipment required by federal law, that the host employer must provide to qualify for the exemption under sec. 151.057; and

- the host employer had the sole right to supervise the employee of the temporary employment service, rather than merely having direct or general supervision.

The bill would take effect September 1, 2017, and would apply only to services that began on or after that date.

NOTES:

A companion bill, SB 745 by Kolkhorst, was approved by the Senate on April 3.