

BILL ANALYSIS

Senate Research Center

S.B. 1653
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Finance
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As Filed

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

Wholesale distributors sell drugs to hospitals and health care providers. Due to the nature of the health care industry and to the nature of drugs specifically, these distributors generally maintain an inventory of drugs in excess of what typical market demands would otherwise require in order to meet the demand of public health purposes, emergencies, disasters, and homeland security concerns. The result is that they hold greater than market quantities of drugs in inventory and are taxed for property tax purposes in excess of the typical market place. This bill does not exempt such drugs from property taxes but instead recognizes for purposes of jurisdiction to tax and situs these market factors and clarifies existing law as it relates to wholesale drug distributors.

As proposed, S.B. 1653 provides a more equitable tax treatment for drugs that are held in inventory for less than a temporary period by wholesale distributors.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 23.12, Tax Code, by adding Subsection (h) to require the chief appraiser, in determining the market value of drug supplies held in surplus, to exclude as economic obsolescence from the market value cost attributable to drug supplies held in surplus which are in excess of the amount of drugs held for normal market purposes. Defines "drug supplies held in surplus."

SECTION 2. Effective date: January 1, 2006.