

## BILL ANALYSIS

Senate Research Center  
84R3437 GRM-D

S.B. 687  
By: Hinojosa  
Finance  
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As Filed

### AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, the franchise tax treats various health care providers differently in computing their total revenue to determine the amount of tax owed.

- Physicians, clinics, and certain ancillary healthcare service providers are allowed to exclude 100 percent of funds received from serving patients covered by publicly funded insurance programs from their total revenue for the franchise tax:
- Publicly covered insurance programs include:  
Medicaid  
Medicare  
Children's Health Insurance Program (CHIP)  
Indigent Care and Treatment Act (Chapter 61, Health & Safety Code)
- However, health care institutions are only allowed to exclude 50 percent of funds received even though they are serving the same population.

S.B. 687 puts all health care providers on par with each other with respect to the franchise tax. The bill will correct the unequal treatment in the way the franchise tax is calculated and treat all health care providers who are serving this unique population of patients in the same way.

- The Tax Code is amended so that all health care providers and facilities shall exclude 100 percent of funds received from serving patients covered by publicly funded insurance programs from their total revenue for purposes of calculating the franchise tax.
- Health care institutions would be allowed to exclude 100 percent, rather than 50 percent, of their funds received from serving Medicaid, Medicare, and CHIP patients from their total revenue in computing the amount of tax owed.

"Health care institution" is defined in Section 171.101(p)(2), Tax Code, as:

- (A) an ambulatory surgical center;
- (B) an assisted living facility licensed under Chapter 247 (Health and Safety Code);
- (C) an emergency medical services provider;
- (D) a home and community support services agency;
- (E) a hospice;
- (F) a hospital;
- (G) a hospital system;
- (H) an intermediate care facility for the mentally retarded or a home and community-based services waiver program for persons with mental retardation adopted in accordance with Section 1915(c) of the federal Social Security Act (42 U.S.C. Section 1396n);
- (I) a birthing center;
- (J) a nursing home;

- (K) an end stage renal disease facility licensed under the Health and Safety Code; or
- (L) a pharmacy.

As proposed, S.B. 687 amends current law relating to the exclusion from total revenue of certain payments received by health care providers for purposes of computing the franchise tax.

### **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 171.1011(n), Tax Code, to delete an exception under Subsection (o) (requiring a health care provider that is a health care institution to exclude from its total revenue 50 percent of certain costs and received payments). Makes a nonsubstantive change.

SECTION 2. Repealer: Section 171.1011(o) (requiring a health care provider that is a health care institution to exclude from its total revenue 50 percent of certain costs and received payments), Tax Code.

SECTION 3. Provides that this Act applies only to a report originally due on or after the effective date of this Act. Makes application of this Act prospective.

SECTION 4. Effective date: January 1, 2016.