

- SUBJECT:** Exempting public adjusting services from the sales tax
- COMMITTEE:** Ways and Means — favorable, without amendment
- VOTE:** 11 ayes — D. Bonnen, Y. Davis, Bohac, Button, Darby, Martinez Fischer, Murphy, Parker, Springer, C. Turner, Wray
- 0 nays
- WITNESSES:** For — Scott Friedson and Gary Timmons, Texas Association of Public Insurance Adjusters; (*Registered, but did not testify:* Clay Morrison, Texas Association of Public Insurance Adjusters)
- Against — None
- BACKGROUND:** Tax Code, sec. 151.0101 specifies services that qualify as “taxable services,” which are services subject to the sales tax. These include insurance services.
- DIGEST:** HB 1841 would define "insurance service" to exclude services performed on behalf of an insured person by a public insurance adjuster licensed under Insurance Code, ch. 4102.
- The bill would take effect October 1, 2015, and would not affect taxes imposed before that date.
- SUPPORTERS SAY:** HB 1841 would provide critical relief to Texans who may be afflicted by a natural disaster by exempting public adjuster services from the sales tax. These services often are rendered during a time of loss, and the sales tax is passed directly on to the consumer. The state should do what it can to lower costs for Texans caught in the aftermath of a disaster or tragedy.
- Public adjusters serve a vital public purpose. They act as an agent for an insured person when filing a claim with an insurance company. Public adjusters can help clients represent the true loss experienced by an insured person. Because of the public adjuster's expertise and ability, they often

receive far higher and more accurate disbursements than would clients filing a claim on their own.

Applying the sales tax to public adjusting drives up the cost. This means that alternatives to public adjusting, such as litigation, become increasingly attractive. Litigation and other forms of resolution ultimately cost both the insured and the insurer far more in terms of time and money. This bill would cause more Texans concerned about the status of their insurance claim to choose public adjusting, cutting litigation costs.

While this bill does apply an exemption to one specific industry, it is a unique case — taxes on public adjusting directly impact the insured in a time of great loss. This bill would bring Texas up to the national standard and would provide needed tax relief to Texans during critical times.

**OPPONENTS  
SAY:**

HB 1841 would reduce state revenue by about \$1 million annually. In a time when the state faces a variety of needs in transportation, education, and infrastructure funding, the Legislature should not cut taxes.

This bill also would provide tax relief for a specific industry, which would narrow the base. Texas should strive for a tax system that is broad and low, but this cannot be accomplished if the Legislature continues to give tax cuts to specific industries.

**NOTES:**

According to the Legislative Budget Board's fiscal note, the bill would have an estimated negative net impact of \$2 million through fiscal 2016-17.