

SUBJECT: Exempting surveying services purchased by property owners from sales tax

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 9 ayes — Oliveira, McCall, Bonnen, Craddick, Y. Davis, Hilbert, Keffer, Ramsay, Sadler

0 nays

2 absent — Heflin, T. King

WITNESSES: For — Patrick Smith, Texas Society of Professional Surveyors

Against — None

BACKGROUND: Professional services including engineering, architectural, legal, and accounting services are exempt from sales taxes. Services provided by surveyors are not exempt, except for surveying services purchased by contractors.

DIGEST: CSHB 3623 would add an exclusion for land surveying services from the definition of “real property service” for purposes of sales tax collection, if the services were purchased by a property owner.

This exemption would take effect on October 1, 1999. The exemption would sunset on October 1, 2001.

SUPPORTERS SAY: CSHB 3623 would exempt surveying services paid for by home owners from the sales tax by removing them from the definition of “real property services.” Surveying services purchased by contractors already are exempt. Other surveying services, such as those purchased by a developer, lender, or title company, would remain taxable.

Homeowner costs are increased unfairly by sales taxes on surveying services. Some property owners choose to build a structure or an addition to their homes without going through a contractor, who would be exempt from paying sales taxes on surveying. Property owners should not be penalized for seeking to build onto their homes without hiring a contractor.

All other elements of construction service, including engineering and architecture, are not taxable. Surveyors' services remained taxable as an oversight, and should be exempt as well. However, implementing an across-the-board exemption for all surveyor services at this time would not be economically feasible, because it would result in a more substantial revenue loss to the state.

Appropriations are justified and reviewed biennially. Tax exemptions — which, like appropriations, involve the directing of state funds — ought to be reviewed periodically as well. Therefore, this exemption would expire in 2001, allowing the 77th Legislature to review whether it should be extended or expanded to include all surveying services.

**OPPONENTS
SAY:**

All surveying services should be exempt, not just those purchased by homeowners. Surveying is the only professional service still subject to the sales tax. Surveyors were left off the list of tax-exempt professions due to an oversight. Now, sales taxes collected by surveyors are being used to offset revenue lost because other professions got tax exemptions. This is unfair to surveyors and the people who pay for their services.

This partial sales tax exemption is an insufficient solution. It is also a temporary one, as it will sunset in 2001. The exemption should be broader and it should last for more than two years.

**OTHER
OPPONENTS
SAY:**

It would be fairer approach to exempt surveyors from all sales tax and charge each licensed surveyor a professional fee to offset the loss. Other tax-exempt professions pay this \$200 fee.

NOTES:

The original bill would have exempted all surveying services from the sales tax and charged surveyors a \$200 professional application fee.