

Texas Governor Signs Bill Exempting Medical Billing Services from Sales Tax

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Texas Governor Greg Abbott has signed HB 1445 into law, making “medical or dental billing services” exempt from sales tax. Under the statute, a “medical or dental billing service” is defined as “assigning codes for the preparation of a medical or dental claim, verifying medical or dental insurance eligibility, preparing a medical or dental claim form for filing, and filing a medical or dental claim.” Beginning in 2002, the Texas Comptroller’s office took the position for sales tax purposes that “medical billing services” were not taxable data processing services. In November 2019, the Comptroller published a notice stating that it was going to treat “medical billing services” as taxable “insurance services.” Implementation of that notice was delayed multiple times, most recently through October 2021. The Comptroller’s office may now take the position that the legislative definition of “medical or dental billing services” is narrower than the definition the Comptroller has applied in its recent guidance and assert that some items are still subject to tax effective October 2021. Companies should consider whether their medical billing services fall within the legislative definition of “medical or dental billing services.”

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