

Sales/Use/Indirect:

Texas: Processing Pre-Authorization Requests Using Proprietary Software Tool Deemed Not Taxable

Letter No. 202408013L, Tex. Comptroller of Public Accounts (8/30/24). The Tax Policy Division of the Texas Comptroller of Public Accounts issued a letter ruling involving a taxpayer that employs medical and healthcare professionals who utilize its proprietary software solutions tool (including an internal database and software program made up of preset rules) to provide health insurance pre-authorization approvals or denials to medical service providers (*e.g.*, hospitals, clinics, and doctors). The letter generally concludes that, under the provided facts, the taxpayer's pre-authorization services for insurance eligibility are:

URL: <https://star.comptroller.texas.gov/view/202408013L>

- Not taxable insurance services under Texas law given that they are performed by the taxpayer prior to the submission of an insurance claim;
- Not taxable data processing services under Texas law even though some of its activities may meet the definition of a data processing service, as the activities are performed to facilitate pre-authorization services by trained and skilled employees using a computer as a tool in providing a service that ultimately requires their specialized knowledge and interpretive skills; and
- Not taxable information services under Texas law, as the taxpayer is neither furnishing general or specialized news or other current information, or financial information nor gathering, maintaining, or compiling information that is available to the public or to a specific segment of industry.

Please contact us with any questions.

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