

Multiple Agency Fiscal Note Summary

Bill Number: 5451 SB	Title: Cosmetic medical services
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Estimated Cash Receipts

Agency Name	2005-07		2007-09		2009-11	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	(7,875,000)	39,069,000	(10,780,000)	57,317,000	(14,758,000)	78,461,000
Total \$	(7,875,000)	39,069,000	(10,780,000)	57,317,000	(14,758,000)	78,461,000

Local Gov. Courts *						
Local Gov. Other **		15,307,000		20,550,000		28,683,000
Local Gov. Total		15,307,000		20,550,000		28,683,000

Estimated Expenditures

Agency Name	2005-07			2007-09			2009-11		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.3	53,900	53,900	.0	1,600	1,600	.0	1,600	1,600
Total	0.3	\$53,900	\$53,900	0.0	\$1,600	\$1,600	0.0	\$1,600	\$1,600

Local Gov. Courts *									
Local Gov. Other **									
Local Gov. Total									

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Prepared by: Doug Jenkins, OFM	Phone: 360-902-0563	Date Published: Final 2/11/2005
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

Department of Revenue Fiscal Note

Bill Number: 5451 SB	Title: Cosmetic medical services	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

FUND	FY 2006	FY 2007	2005-07	2007-09	2009-11
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax	(3,629,000)	(4,246,000)	(7,875,000)	(10,780,000)	(14,758,000)
Health Services-State 01 - Taxes 01 - Retail Sales Tax	20,123,000	26,821,000	46,944,000	68,097,000	93,219,000
Total \$	16,494,000	22,575,000	39,069,000	57,317,000	78,461,000

Estimated Expenditures from:

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	0.5	0.0	0.3	0.0	0.0
Fund					
GF-STATE-State 001-1	53,100	800	53,900	1,600	1,600
Total \$	53,100	800	53,900	1,600	1,600

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Stephanie Yurcisin	Phone: 3607867438	Date: 01/26/2005
Agency Preparation: Fanny Nyaribo-Roberts	Phone: 360-570-6086	Date: 02/04/2005
Agency Approval: Don Gutmann	Phone: 360-570-6073	Date: 02/04/2005
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 02/07/2005

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Note: This fiscal note corrects the wrong fund shown in the revenue impacts. This fiscal note supercedes fiscal note #5451-2.

Section 1. Amends RCW 82.04.050, the definition of a retail sale, to include cosmetic medical services.

Section 2. Amends RCW 82.08.020 to provide that state retail sales tax collection on cosmetic medical services shall be deposited into the health services account in RCW 43.72.900 to be used for children's health care services.

Section 3. New section to chapter 82.04 RCW. Defines the terms

Cosmetic medical service to be a medical procedure performed on an individual over 18 years old directed at improving appearance and doesn't meaningfully promote the proper function of the body or prevent or treat illness or disease. Examples include cosmetic surgery and injections, hair transplants, cosmetic dentistry, and others.

Cosmetic surgery is defined.

Cosmetic medical service doesn't include reconstructive surgery or dentistry.

Reconstructive surgery or dentistry is defined.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS/DATA SOURCES

Data are from the American Society for Aesthetic Plastic Surgery (ASAPS), 2003 Survey.

Number of cosmetic surgical and non surgical procedures in US: 8.3 million

Total cost of these procedures at the national level were about \$9.4 billion

It was assumed that Washington's share of the cost is 2.2%.

About 23 percent of procedures result in hospital stays and generate additional cost.

CURRENTLY REPORTING TAXPAYERS (Impact for taxpayers who are known or estimated to be currently paying the tax in question)

This bill would increase the Health Services fund by an estimated \$39,069,000 in the 2005-2007 Biennium. The gain is net of a retail sales tax gain of \$46,944,000 and an estimated loss of \$7,875,000 due to shifting from the 1.5 percent service tax rate to 0.471 percent retailing tax rate.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2006 - \$ 16,494
 FY 2007 - \$ 22,575
 FY 2008 - \$ 26,413
 FY 2009 - \$ 30,904
 FY 2010 - \$ 36,157
 FY 2011 - \$ 42,304

Local Government, if applicable (cash basis, \$000):

FY 2006 - \$ 7,054
 FY 2007 - \$ 8,253
 FY 2008 - \$ 9,253
 FY 2009 - \$ 11,297
 FY 2010 - \$ 13,218
 FY 2011 - \$ 15,465

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

To implement this legislation, the Department will incur implementation costs of approximately \$53,900 during the 2005-2007 Biennium. These costs include:

1. 0.01 FTE at an FA5 level and
2. 0.01 FTE at a Fiscal Tech level to update and maintain financial reports.
3. 0.16 FTE at an ITAS4 level representing 305 hours to make efile changes; update excise tax system; make transcript changes; create adjustment process and change the summary of cash receipts.
4. 0.05 FTE at an ETE3 level representing 100 hours to test revision to the efile system.
5. 0.10 FTE at an ITSS4 level representing 180 hours to design and test new return.
6. 0.10 FTE at a WMS2 level to design and test new return.
7. \$6,200 for Consultant to design new return.
8. \$3,150 to update publications and tax facts.
9. \$9,821 to amend one administrative rule. This represents staff time, printing, and postage.

In addition, the Department will incur ongoing costs of \$1,600 during each of the 2007-09 and 2009-11 Biennia. Ongoing costs relate to the FA5 and Fiscal Tech discussed in 1-2 above.

Without an appropriation to cover the expenditure impact, the Department may not be fully able to implement the legislation.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	0.5	0.0	0.3	0.0	0.0
A-	26.600	600	27,200	1,200	1,200
B-	6.600	100	6,700	200	200
C-	6.200		6,200		
E-	10.300	100	10,400	200	200
J-	3.400		3,400		
Total \$	\$53,100	\$800	\$53,900	\$1,600	\$1,600

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2006	FY 2007	2005-07	2007-09	2009-11
EXCISE TAX EXAMINER 3	41,520	0.1		0.0		
FINANCIAL ANALYST 5	49,380	0.0	0.0	0.0	0.0	0.0
FISCAL TECHNICIAN	27,636	0.0	0.0	0.0	0.0	0.0
HEARINGS SCHEDULER	31,032	0.0		0.0		
INFO TECH APP SPEC 4	51,864	0.2		0.1		
INFO TECH SYS SPEC 4	51,864	0.1		0.1		
RULES MANAGER	69,500	0.0		0.0		
RULES POLICY SPECIALIST	68,600	0.0		0.0		
TAX POLICY SPECIALIST 2	51,864	0.0		0.0		
TAX POLICY SPECIALIST 3	58,656	0.1		0.0		
WMS II	61,600	0.1		0.1		
Total FTE's		0.5	0.0	0.3	0.0	0.0

Part IV: Capital Budget Impact

NONE.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the Department would use the standard process to amend WAC 458-20-151 Dentists and other health care providers, dental laboratories, and dental technicians.

LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

Bill Number: 5451 SB	Title: Cosmetic medical services
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- Cities:
- Counties:
- Special Districts:
- Specific jurisdictions only:
- Variance occurs due to:

Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

Jurisdiction	FY 2006	FY 2007	2005-07	2007-09	2009-11
City	2,475,954	2,896,803	5,372,757	7,213,050	10,067,733
County	980,506	1,147,167	2,127,673	2,856,450	3,986,937
Special District	3,597,540	4,209,030	7,806,570	10,480,500	14,628,330
TOTAL \$	7,054,000	8,253,000	15,307,000	20,550,000	28,683,000
GRAND TOTAL \$					64,540,000

Estimated expenditure impacts to:

Jurisdiction	FY 2006	FY 2007	2005-07	2007-09	2009-11
City					
County					
Special District					
TOTAL \$					
GRAND TOTAL \$					0

Part III: Preparation and Approval

Fiscal Note Analyst: Linda Kercher	Phone: 360-725-5038	Date: 02/02/2005
Leg. Committee Contact: Stephanie Yurcisin	Phone: 3607867438	Date: 01/26/2005
Agency Approval: Louise Deng Davis	Phone: (360) 725-5034	Date: 02/10/2005
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 02/11/2005

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

This bill makes cosmetic medical services taxable as a retail sale.

Sec. 1 amends RCW 82.04.050 to add cosmetic medical services to the definition of retail sale.

Sec. 2 amends the state retail sales tax statute to provide that taxes collected under that section on the retail sale of cosmetic medical services are to be deposited into the health services account and used for children's health care services.

Sec. 3 defines cosmetic medical services, cosmetic surgery and reconstructive surgery or dentistry.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

No expenditure impact is expected because collection and administration of sales and use taxes are handled at the taxpayer and state levels.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

Local governments are estimated to gain \$7 million in FY06 in local retail sales tax as a result of this bill. In FY06, counties could experience a gain of \$980,500, cities, \$2.5 million, and special districts, \$3.6 million.

The bill would result in the following gain of local sales tax revenue for local government, according to the Department of Revenue (DOR):

FY 2006 – \$7,054,000
FY 2007 – \$8,253,000
FY 2008 – \$9,253,000
FY 2009 – \$11,297,000
FY 2010 – \$13,218,000
FY 2011 – \$15,465,000

Distribution of loss among cities, counties and special districts is estimated as the following:

	City	County	Special District*
FY 2006 --	\$2,475,954	\$980,506	\$3,597,540
FY 2007 --	\$2,896,803	\$1,147,167	\$4,209,030
FY 2008 --	\$3,247,803	\$1,286,167	\$4,719,030
FY 2009 --	\$3,965,247	\$1,570,283	\$5,761,470
FY 2010 --	\$4,639,518	\$1,837,302	\$6,741,180
FY 2011 --	\$5,428,215	\$2,149,635	\$7,887,150

*Special district refers to both special districts and special purposes, which includes distributions from local sales and use taxes levied by counties, cities and special districts for specific funding purposes. Examples include taxes for transit programs, criminal justice, correctional facilities, sports stadiums, public facilities, and emergency communications.

METHODOLOGY:

The revenue estimates in this note for cities, counties, and special districts are based on DOR data for local sales and use tax distributions for CY 2004. This data shows that, of the total local distributions, cities received 35.1 percent, counties received 13.9 percent, and special districts received 51 percent. The revenue impacts in this note reflect those same percentages.

ASSUMPTIONS:

Local sales tax revenue collected on cosmetic medical services is not directed to the health services account.

The amendments to the state B&O tax statute in Sec. 1 of this bill do not impact mandatory provisions of the local B&O model ordinance, which B&O tax cities are required to adopt.

SOURCES:

Department of Revenue