

Multiple Agency Fiscal Note Summary

Bill Number: 5451 S 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	(1,797,000)	7,357,000	(2,459,000)	10,819,000	(3,366,000)	14,810,000
Total \$	(1,797,000)	7,357,000	(2,459,000)	10,819,000	(3,366,000)	14,810,000

Local Gov. Courts *						
Local Gov. Other **		2,619,000		4,585,000		4,909,000
Local Gov. Total		2,619,000		4,585,000		4,909,000

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: Revised 3/31/2005
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 11899

Department of Revenue Fiscal Note

Bill Number: 5451 S 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	(828,000)	(969,000)	(1,797,000)	(2,459,000)	(3,366,000)
Health Services-State 01 - Taxes 01 - Retail Sales Tax	3,924,000	5,230,000	9,154,000	13,278,000	18,176,000
Total \$	3,096,000	4,261,000	7,357,000	10,819,000	14,810,000

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:	Phone:	Date: 03/02/2005
Agency Preparation: Fanny Nyaribo-Roberts	Phone: 360-570-6086	Date: 03/29/2005
Agency Approval: Don Gutmann	Phone: 360-570-6073	Date: 03/29/2005
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 03/29/2005

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 reflects SSB 5451. It corrects the revenue impact and supercedes 5451-5.

Section 1 amends RCW 82.04.050, the definition of a retail sale, to include "cosmetic medical services, including services directly related to the performance of cosmetic medical services."

Section 2 provides that state retail sales tax collected 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 Defines terms:

"Cosmetic medical service" means any medical procedure performed on an individual over 18 years 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 medical service doesn't include reconstructive surgery or dentistry, nor does it include services covered by medical insurance or that are deductible as a medical expense for federal income tax purposes.

"Services directly related to the performance of cosmetic medical services" includes occupancy at medical facilities and services provided by an anesthesiologist, surgeon, or other licensed health professional under RCW 18.120.020, but doesn't include evaluation and care by a primary care physician, consultation or treatment by a counselor, psychologist, or psychiatrist.

"Cosmetic surgery" means surgical reshaping of normal body structures to improve the body image, self-esteem, or appearance.

"Reconstructive surgery or dentistry" includes any surgery or dentistry performed on abnormal structures caused by or related to congenital defects, developmental abnormalities, trauma, infection, tumors, or disease, including procedures to improve function and give a more normal appearance.

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.

NOTE: This fiscal note has been revised in light of substantially new tax collection data received March 9, 2005, from the New Jersey Department of Revenue. New Jersey is the only other state that has a similar tax to that being proposed by this bill.

ASSUMPTIONS/DATA SOURCES

Estimates are extrapolated from New Jersey's Cosmetic Procedures Gross Receipts Tax for October 2004 to February 2005.

The caveat on these data are:

- 1. New Jersey Department of Revenue reports that additional time is needed to draw any definitive conclusions about this tax. Service providers will need some time to understand the law to become fully compliant.
- 2. Adjustments for lower population and lower median income for the state of Washington relative to New Jersey were

made. Washington State's population and median income are about 27 percent lower and 21 percent lower than New Jersey's, respectively (Statistical Abstracts).

3. An annual average growth rate of 17 percent was used. This is an average of the surgical procedures growth rate of 12 percent in 2003 and 22 percent for nonsurgical procedures in 2003 (American Society for Aesthetic Plastic Surgery, 2003).

4. About 3% of these types of procedures are performed on individuals aged 18 years or younger (American Society for Aesthetic Plastic Surgery, 2003).

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 \$7,357,000 in the 2005-2007 Biennium. The state business and occupation tax experiences an estimated loss of \$1,797,000 for the biennium 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 -	\$ 3,096
FY 2007 -	\$ 4,261
FY 2008 -	\$ 4,986
FY 2009 -	\$ 5,833
FY 2010 -	\$ 6,825
FY 2011 -	\$ 7,985

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

FY 2006 -	\$ 1,207
FY 2007 -	\$ 1,412
FY 2008 -	\$ 1,652
FY 2009 -	\$ 2,933
FY 2010 -	\$ 2,262
FY 2011 -	\$ 2,647

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 e-file 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 revisions to the e-file 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

Revised

Department of Community, Trade and Economic Development

Bill Number: 5451 S 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	423,657	495,612	919,269	1,609,335	1,723,059
County	167,773	196,268	364,041	637,315	682,351
Special District	615,570	720,120	1,335,690	2,338,350	2,503,590
TOTAL \$	1,207,000	1,412,000	2,619,000	4,585,000	4,909,000
GRAND TOTAL \$					12,113,000

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: 03/30/2005
Leg. Committee Contact:	Phone:	Date: 03/02/2005
Agency Approval: Louise Deng Davis	Phone: (360) 725-5034	Date: 03/30/2005
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 03/31/2005

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, including services directly related to the performance of 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.

DIFFERENCES BETWEEN ORIGINAL AND SUBSTITUTE:

Sec. 1 of the original bill added only the term cosmetic medical services, and not related services, to the definition of retail sale.

Sec. 3 of the substitute bill expands on the definition of cosmetic medical service.

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.

DIFFERENCE IN IMPACT FROM ORIGINAL BILL: None

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 approximately \$1.2 million in FY06 in local retail sales tax as a result of this bill. In FY06, counties could experience a gain of approximately \$168,000, cities, \$424,000, and special districts, \$616,000.

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 – \$1,207,000

FY 2007 – \$1,412,000

FY 2008 – \$1,652,000

FY 2009 – \$2,933,000

FY 2010 – \$2,262,000

FY 2011 – \$2,647,000

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

	City	County	Special District*
FY06	\$423,657	\$167,773	\$615,570
FY07	\$495,612	\$196,268	\$720,120
FY08	\$579,852	\$229,628	\$842,520
FY09	\$1,029,483	\$407,687	\$1,495,830
FY10	\$793,962	\$314,418	\$1,153,620
FY11	\$929,097	\$367,933	\$1,349,970
TOTAL	\$4,251,663	\$1,683,707	\$6,177,630

*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

DIFFERENCE IN IMPACT FROM ORIGINAL BILL:

Revenue gain reduced. Estimates from original bill are as follows:

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