

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5392 P 2S SB _P_	<b>Title:</b> Clinical info technologies
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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	(1,576,000)	(1,576,000)	(7,345,000)	(7,345,000)	(7,158,000)	(7,158,000)
<b>Total \$</b>	(1,576,000)	(1,576,000)	(7,345,000)	(7,345,000)	(7,158,000)	(7,158,000)

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

## Estimated Expenditures

Agency Name	2005-07			2007-09			2009-11		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Washington State Health Care Authority	Fiscal note not available								
Department of Revenue	.1	27,700	27,700	.2	26,600	26,600	.2	26,600	26,600
<b>Total</b>	0.1	\$27,700	\$27,700	0.2	\$26,600	\$26,600	0.2	\$26,600	\$26,600

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

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\* See Office of the Administrator for the Courts judicial fiscal note

\*\* See local government fiscal note

FNPID: 12867

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 5392 P 2S SB _P_	<b>Title:</b> Clinical info technologies	<b>Agency:</b> 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 06 - Tax Credits - B & O		(1,576,000)	(1,576,000)	(7,345,000)	(7,158,000)
<b>Total \$</b>		(1,576,000)	(1,576,000)	(7,345,000)	(7,158,000)

### Estimated Expenditures from:

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years		0.3	0.2	0.2	0.2
<b>Fund</b>					
GF-STATE-State 001-1		27,700	27,700	26,600	26,600
<b>Total \$</b>		27,700	27,700	26,600	26,600

*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.

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Agency Approval: Kim Davis	Phone: 360-570-6087	Date: 01/24/2006
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 01/24/2006

## 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 language in draft legislation S-4556.1/06.

This bill provides a business and occupation tax credit to an eligible person for the acquisition of health information technologies certified as eligible for credit by the health care authority. The credit is limited to 50 percent of the amount expended to acquire computer hardware, software, labor, or services necessary for the development, enhancement, or installation of certified health information technologies. The credit is subject to a lifetime maximum of \$10,000 for each eligible person.

The credit must be claimed in the calendar year in which the expenditure occurred by the due date of the last tax return for the calendar year in which the expenditure occurred and may not exceed the amount of business and occupation tax. A credit earned in one calendar year may not be carried over to be credited against taxes incurred in a subsequent calendar year, and no refunds may be granted for credits. The credit shall not be claimed for expenditures that occurred before the health care authority has certified the health information technologies as eligible for the tax credit. The credit is not allowed for expenditures that occurred before the effective date of this bill.

"Eligible person" means:

A physician licensed under RCW 18.22 (Podiatry), RCW 18.57 (Osteopathy), or RCW 18.71 (Physicians), who is registered as a sole proprietor or any entity consisting of at least two but not more than five physicians, including physicians who are employees, officers, or owners of such entity;

An advanced registered nurse practitioner licensed under RCW 18.79 (Nursing) who is a sole proprietor or any entity consisting of at least two but not more than five advanced registered nurse practitioners, including advanced registered nurse practitioners who are employees, officers, or owners of such entity; or,

Any entity consisting of a combination of the medical practitioners that does not exceed five, including physicians and advanced registered nurse practitioners who are employees, officers, or owners of such entity.

This credit program is effective January 1, 2007, and expires December 31, 2011.

### 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

The data used in the estimate came from tax returns submitted to the Department of Revenue. Industry literature was also used to form some of the assumptions below.

Assumptions:

-this bill only applies to doctors of medicine (M.D.), doctors of osteopathy (D.O.), doctors of podiatry (D.P.), and registered nurses, as defined in RCW 18.22, RCW 18.57, RCW 18.71, and RCW 18.79

-1,500 solo and 1,700 group practices will be affected annually

-20 percent of solo and 33 percent of group practices currently have information technology infrastructure (e.g. hardware and software)

-for doctors: among current taxpayers with pen-and-paper operations, 15 percent of solo and 20 percent of group practices

- will transform their offices into computer-based operations annually
- for nurses: among current taxpayers with pen-and-paper operations, 10 percent of solo and 15 percent of group practices will transform their offices into computer-based operations annually
- the average cost of adopting information technology infrastructure is about \$37,000 for a solo and \$58,000 for a group practice (either doctors or nurses)
- for doctors: average annual business and occupation tax liability for a solo practice taxpayer is \$3,400 and \$40,000 for a group practice
- for nurses: average annual business and occupation tax liability for a solo practice taxpayer is \$700 and \$3,500 for a group practice
- average information technology maintenance/enhancement cost per year is \$1,600 for a solo and \$3,200 for a group practice (either doctors or nurses)
- five months impact for Fiscal Year 2007 estimates.

## REVENUE ESTIMATES

Based on the assumptions above, it is estimated that this bill will reduce state tax revenue by about \$1.6 million in Fiscal Year 2007 and \$7.3 million for the 2007-09 Biennium.

## TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2006 -	\$ None
FY 2007 -	\$ (1,576)
FY 2008 -	\$ (3,703)
FY 2009 -	\$ (3,642)
FY 2010 -	\$ (3,596)
FY 2011 -	\$ (3,562)

Local Government, if applicable (cash basis, \$000): None

## 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 of Revenue anticipates incurring costs of \$27,700 in Fiscal Year 2007, for a 2005-07 Biennium total of \$27,700. These costs reflect one-time and ongoing expenditures related to printing and mailing, rule-making, and increased time spent on routine audits.

The Department will absorb these costs. However, should this bill and other similar bills pass, the net impact may result in costs above the level the Department can reasonably absorb. In that event, the Department will need additional resources 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		0.3	0.2	0.2	0.2
A-		13,400	13,400	18,400	18,400
B-		3,400	3,400	4,600	4,600
E-		8,600	8,600	2,600	2,600
G-		500	500	1,000	1,000
J-		1,800	1,800		
<b>Total \$</b>		\$27,700	\$27,700	\$26,600	\$26,600

**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
HEARINGS SCHEDULER	31,056		0.0	0.0		
REVENUE AUDITOR 3	45,756		0.2	0.1	0.2	0.2
RULES MANAGER	78,194		0.0	0.0		
RULES POLICY SPECIALIST	64,587		0.0	0.0		
TAX POLICY SPECIALIST 2	54,372		0.0	0.0		
TAX POLICY SPECIALIST 3	61,500		0.1	0.0		
<b>Total FTE's</b>			0.3	0.2	0.2	0.2

## 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 of Revenue will need to amend WAC 458-20-151, Dentists and other health care providers, dental laboratories, and dental technicians, using the standard legal rule-making process.

Persons affected by this rule-making include licensed physicians.