

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5648 SB	<b>Title:</b> Durable medical equipment
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## Estimated Cash Receipts

Agency Name	2007-09		2009-11		2011-13	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	(25,400,000)	(25,400,000)	(30,300,000)	(30,300,000)	(34,000,000)	(34,000,000)
<b>Total \$</b>	(25,400,000)	(25,400,000)	(30,300,000)	(30,300,000)	(34,000,000)	(34,000,000)

Local Gov. Courts *						
Local Gov. Other **		(7,800)		(9,300)		(10,500)
Local Gov. Total		(7,800)		(9,300)		(10,500)

## Estimated Expenditures

Agency Name	2007-09			2009-11			2011-13		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.5	62,700	62,700	.4	45,800	45,800	.4	45,800	45,800
<b>Total</b>	0.5	\$62,700	\$62,700	0.4	\$45,800	\$45,800	0.4	\$45,800	\$45,800

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

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<b>Prepared by:</b> Doug Jenkins, OFM	<b>Phone:</b> 360-902-0563	<b>Date Published:</b> Final 2/ 6/2007
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\* See Office of the Administrator for the Courts judicial fiscal note

\*\* See local government fiscal note

FNPID: 15601

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 5648 SB	<b>Title:</b> Durable medical equipment	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

FUND	FY 2008	FY 2009	2007-09	2009-11	2011-13
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax	(12,000,000)	(13,400,000)	(25,400,000)	(30,300,000)	(34,000,000)
<b>Total \$</b>	(12,000,000)	(13,400,000)	(25,400,000)	(30,300,000)	(34,000,000)

### Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years	0.5	0.4	0.5	0.4	0.4
<b>Fund</b>					
GF-STATE-State 001-1	38,500	24,200	62,700	45,800	45,800
<b>Total \$</b>	38,500	24,200	62,700	45,800	45,800

*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: 01/28/2007
Agency Preparation: Fanny Nyaribo-Roberts	Phone: 360-570-6086	Date: 02/02/2007
Agency Approval: Don Gutmann	Phone: 360-570-6073	Date: 02/02/2007
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 02/02/2007

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.

This bill amends RCW 82.08.0283 and RCW 82.12.0277 to provide sales and use tax exemptions for:

- 1.) Components of prosthetic devices (prosthetic devices are already exempt);
- 2.) Prescribed durable medical equipment, including components, for home use; and
- 3.) Prescribed mobility enhancing equipment, including components.

The bill also provides sales tax and use tax exemptions in the form of a refund for:

- 1.) Medically prescribed oxygen and oxygen systems for other than home use, including repair, replacement, and component parts, and repair services;
- 2) Nebulizers for other than home use. and
- 3.) Kidney dialysis devices for other than home use.

These exemptions include repair, replacement, and component parts, and repair services. For the sales tax exemption, the buyer pays the sales tax and seeks a refund directly from the Department of Revenue (Department). A seller who is required to collect use tax collects the tax and the buyer then seeks a refund from the Department.

The effect of the bill is to keep in place the current exemptions for: all medically prescribed oxygen, which includes oxygen delivery equipment; all kidney dialysis devices; and, all nebulizers. The exemption for these items applies for both home use and other than home use. However, the exemption for those currently exempt items for other than home use would be administered through a refund process.

In addition, the bill exempts all prescribed mobility enhancing equipment and all prescribed home use durable medical equipment not otherwise exempt.

This bill is effective 90 days after the end of the session.

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

- 1. It is assumed that 40 percent of Durable Medical Equipment (DME) is purchased by institutions and 60 percent is purchased for home use. Source: Department of Social and Health Services, Health Recovery Services Administration.
- 2. It is assumed that all DME is prescribed.
- 3. Mobility Enhancing Equipment data comes from University of San Francisco/CDC Survey Data.
- 4. Fiscal impacts are based on the November 2006 Office of the Forecast Council Revenue Forecast.

REVENUE ESTIMATES

This bill will decrease state revenues by \$25.4 million in the 2008-09 Biennium, \$30.3 million in the 2010-11 Biennium, and \$34 million in the 2012-13 Biennium.

Local governments will lose \$8 million in the 2008-09 Biennium, \$9 million in the 2010-11 Biennium, and \$10 million in the 2012-13 Biennium.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2008 - (\$12,000)  
FY 2009 - (\$13,400)  
FY 2010 - (\$14,700)  
FY 2011 - (\$15,600)  
FY 2012 - (\$16,500)  
FY 2013 - (\$17,500)

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

FY 2008 - (\$3,700)  
FY 2009 - (\$4,100)  
FY 2010 - (\$4,500)  
FY 2011 - (\$4,800)  
FY 2012 - (\$5,100)  
FY 2013 - (\$5,400)

## 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 costs of approximately \$38,500 during Fiscal Year 2008. These are costs for programming to setup, test, and verify the system to handle the exemption; examine and verify refund requests; issue refunds; and scanning.

Time and effort for programming would equate to 0.3 FTE. Planning, development, examination, verification, and issuance of refunds would equate to 0.2 FTE.

Scanning supplies and equipment will cost \$2,000.

The Department will incur ongoing costs of approximately \$24,200 during Fiscal Year 2009, \$45,800 during the 2009-2011 Biennium, and \$45,800 during the 2011-2013 Biennium. Ongoing costs are for a 0.4 FTE to examine, verify, and issue refunds, and for scanning.

Due to the effective date of this legislation, the Department will incur costs in fiscal year 2007 of approximately \$2,600 to create and mail special notices. These costs are not reflected in this fiscal note.

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 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years	0.5	0.4	0.5	0.4	0.4
A-	23,900	14,600	38,500	29,200	29,200
B-	5,900	3,700	9,600	7,400	7,400
E-	5,400	4,600	10,000	9,200	9,200
J-	3,300	1,300	4,600		
<b>Total \$</b>	<b>\$38,500</b>	<b>\$24,200</b>	<b>\$62,700</b>	<b>\$45,800</b>	<b>\$45,800</b>

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

<b>Job Classification</b>	<b>Salary</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>2007-09</b>	<b>2009-11</b>	<b>2011-13</b>
EXCISE TAX EX 2	36,624	0.2	0.4	0.3	0.4	0.4
IT SPEC 4	54,372	0.3		0.2		
<b>Total FTE's</b>		0.5	0.4	0.5	0.4	0.4

**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 will use the standard process to amend one existing rule, WAC 458-20-18801, titled: Prescription drugs, prosthetic and orthotic devices, ostomic items , and medically prescribed oxygen. However, there is no cost associated with this rule since the Department is in the process of revising the existing rule. This legislation will be incorporated into that process. Persons affected by this rule-making would include those who by or sell oxygen, nebulizers, dialysis, durable medical equipment, and mobility enhancing equipment, goods, and services.

# LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

<b>Bill Number:</b> 5648 SB	<b>Title:</b> Durable medical equipment
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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 2008	FY 2009	2007-09	2009-11	2011-13
City	(3,145)	(3,485)	(6,630)	(7,905)	(8,925)
County	(555)	(615)	(1,170)	(1,395)	(1,575)
Special District					
<b>TOTAL \$</b>	(3,700)	(4,100)	(7,800)	(9,300)	(10,500)
<b>GRAND TOTAL \$</b>					(27,600)

### Estimated expenditure impacts to:

Jurisdiction	FY 2008	FY 2009	2007-09	2009-11	2011-13
City					
County					
Special District					
<b>TOTAL \$</b>					
<b>GRAND TOTAL \$</b>					0

## Part III: Preparation and Approval

Fiscal Note Analyst: Laura Melrose	Phone: (360) 725 5040	Date: 02/02/2007
Leg. Committee Contact:	Phone:	Date: 01/28/2007
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 02/06/2007
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 02/06/2007

## **Part IV: Analysis**

### **A. SUMMARY OF BILL**

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

The bill is about tax exemptions for prescribed durable medical and mobility enhancing equipment.

Section 1 of the bill amends 82.08.0283 to include components of prosthetic devices, liquid oxygen systems and components, and mobility enhancing equipment prescribed, fitted or furnished from appropriately licensed persons.

Section 2 is a new section which would add an exemption to 82.08 for medically prescribed oxygen, repair and replacement of component parts and related labor and services. Sellers collect the tax and the buyer may apply for a refund from the Department of Revenue (DOR).

Section 3 amends 82.12.0277 to include components of prosthetic devices, liquid oxygen systems and components, and mobility enhancing equipment prescribed, fitted or furnished by appropriately licensed persons.

Section 4 is a new section which would add that the provisions of 82.12 do not apply to medically prescribed oxygen and related systems, repair, replacement of parts or labor. Sellers will be required to collect the tax and the buyer may apply for a refund directly from the Department of Revenue (DOR).

Section 5 would amend 82.08.803 with an exemption from 82.08.020 in the form of a refund for sales of nebulizers for other than home use. It also allows for an exemption for parts and labor of nebulizers. Sellers shall collect the tax and the buyer may apply for a refund from DOR.

Section 6 would amend 82.12.803 in that it would not apply to the use of nebulizers and components for other than home use. Sellers must collect the sales tax and buyers can apply for a refund directly from DOR.

Section 7 would amend 82.08.945 in the form of a refund for kidney dialysis devices for other than home use. Sellers must collect the sales tax and buyers can apply for a refund directly from DOR.

Section 8 is about amending 82.12.945. The new data would not apply to kidney dialysis devices for other than home use, in the instances of repair, replacement of parts, or labor. Additionally these provisions would not apply to labor or parts for fixing dialysis equipment that is exempt under 82.12.945. Sellers must collect the sales tax and buyers can apply for a refund directly from DOR.

### **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.*

There are no local government expenditures; the Department of Revenue collects and administers this tax.

### **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.*

The Department of Revenue projects the following local government revenue losses by fiscal year (FY) on a cash basis (000):

FY 2008 -- (\$3,700)  
FY 2009 -- (\$4,100)  
FY 2010 -- (\$4,500)  
FY 2011 -- (\$4,800)  
FY 2012 -- (\$5,100)  
FY 2013 -- (\$5,400)

DOR estimates that the revenue losses would be split between cities and counties 85 percent and 15 percent, respectively.

#### **EXPENDITURE AND REVENUE SOURCES:**

Department of Revenue fiscal note