

Multiple Agency Fiscal Note Summary

Bill Number: 1324 S HB	Title: 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	(9,528,000)	(9,544,000)	(11,624,000)	(11,645,000)	(13,033,000)	(13,058,000)
Department of Social and Health Services	0	63,000	0	0	0	0
Total \$	(9,528,000)	(9,481,000)	(11,624,000)	(11,645,000)	(13,033,000)	(13,058,000)

Local Gov. Courts *						
Local Gov. Other **		(2,890,210)		(3,547,170)		(3,839,340)
Local Gov. Total		(2,890,210)		(3,547,170)		(3,839,340)

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	1.6	201,900	201,900	1.4	162,000	162,000	1.4	162,000	162,000
Department of Social and Health Services	.0	(1,033,000)	(2,092,000)	.0	(1,040,000)	(2,162,000)	.0	(1,040,000)	(2,162,000)
Total	1.6	\$(831,100)	\$(1,890,100)	1.4	\$(878,000)	\$(2,000,000)	1.4	\$(878,000)	\$(2,000,000)

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 3/ 8/2007
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 17157

Department of Revenue Fiscal Note

Bill Number: 1324 S HB	Title: Durable medical equipment	Agency: 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	(4,196,000)	(5,332,000)	(9,528,000)	(11,624,000)	(13,033,000)
Performance Audit Account-State 01 - Taxes 01 - Retail Sales Tax	(7,000)	(9,000)	(16,000)	(21,000)	(25,000)
Total \$	(4,203,000)	(5,341,000)	(9,544,000)	(11,645,000)	(13,058,000)

Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years	1.7	1.4	1.6	1.4	1.4
Fund					
GF-STATE-State 001-1	120,900	81,000	201,900	162,000	162,000
Total \$	120,900	81,000	201,900	162,000	162,000

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: Rick Peterson	Phone: 360-786-7150	Date: 02/22/2007
Agency Preparation: Fanny Nyaribo-Roberts	Phone: 360-570-6086	Date: 03/07/2007
Agency Approval: Don Gutmann	Phone: 360-570-6073	Date: 03/07/2007
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 03/07/2007

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.

Under current law, the sale or use of prosthetic devices and nebulizers is exempt from sales and use taxes. Mobility enhancing equipment (MEE), such as wheel chairs, walkers, crutches, and canes, is fully taxable.

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; and
- 2.) Prescribed MEE, including components and repair services.

The bill also maintains the sales and use tax exemptions for nebulizers but requires that the tax be paid to the vendor and that the buyer apply to the Department of Revenue (Department) for a refund.

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. Mobility enhancing equipment data comes from University of San Francisco/ Centers for Disease Control and Prevention survey data.
- 2. Fiscal growth is based on the November 2006 Office of the Forecast Council revenue forecast.

REVENUE ESTIMATES

This bill will decrease state revenues by an estimated \$9.5 million in the 2007-09 Biennium, \$11.6 million in the 2009-11 Biennium, and \$13 million in the 2011-13 Biennium.

Local governments will lose an estimated \$3.1 million in the 2007-09 Biennium, \$3.8 million in the 2009-11 Biennium, and \$4.2 million in the 2011-13 Biennium.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2008 -	(\$4,203)
FY 2009 -	(\$5,341)
FY 2010 -	(\$5,656)
FY 2011 -	(\$5,989)
FY 2012 -	(\$6,342)
FY 2013 -	(\$6,716)

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

FY 2008 -	(\$1,293)
FY 2009 -	(\$1,643)
FY 2010 -	(\$1,740)
FY 2011 -	(\$1,843)
FY 2012 -	(\$2,000)
FY 2013 -	(\$2,066)

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 \$120,900 during Fiscal Year 2008, \$81,000 during Fiscal Year 2009, and \$162,000 during the 2009-2011 Biennium.

One time costs for programming to setup, test, and verify the system to handle the exemption equate to approximately 0.3 of an FTE. The Department will incur \$6,200 in cost to design and develop a new application form and instructions and \$10,900 for equipment in the first year.

The Department will incur ongoing costs related to the refund process established for the sales and use tax exemptions for nebulizers. These ongoing costs are for printing of applications and instructions, examination and verification of exemption claims, preparation and scanning of paper documents, and issuing refunds. Time and effort equates to 1.4 FTEs each fiscal year.

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	1.7	1.4	1.6	1.4	1.4
A-	67,900	51,300	119,200	102,600	102,600
B-	16,900	12,800	29,700	25,600	25,600
C-	6,200		6,200		
E-	19,000	16,900	35,900	33,800	33,800
J-	10,900		10,900		
Total \$	\$120,900	\$81,000	\$201,900	\$162,000	\$162,000

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 2008	FY 2009	2007-09	2009-11	2011-13
EXCISE TAX EX 2	36,624	1.4	1.4	1.4	1.4	1.4
IT SPEC 4	54,372	0.3		0.2		
Total FTE's		1.7	1.4	1.6	1.4	1.4

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 buy or sell

prosthetic devices, nebulizers, and mobility enhancing equipment, and related goods and services.

Individual State Agency Fiscal Note

Bill Number: 1324 S HB	Title: Durable medical equipment	Agency: 300-Dept of Social and Health Services
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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
General Fund-Federal 001-2	63,000		63,000		
Total \$	63,000		63,000		

Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
Fund					
General Fund-State 001-1	(513,000)	(520,000)	(1,033,000)	(1,040,000)	(1,040,000)
General Fund-Federal 001-2	(472,000)	(535,000)	(1,007,000)	(1,070,000)	(1,070,000)
Health Services Account-State 760-1	(26,000)	(26,000)	(52,000)	(52,000)	(52,000)
Total \$	(1,011,000)	(1,081,000)	(2,092,000)	(2,162,000)	(2,162,000)

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: Rick Peterson	Phone: 360-786-7150	Date: 02/22/2007
Agency Preparation: Robyn Williams	Phone: 360-902-8171	Date: 02/22/2007
Agency Approval: Judy Fitzgerald	Phone: 360-902-8225	Date: 02/28/2007
OFM Review: Nick Lutes	Phone: 360-902-0570	Date: 03/02/2007

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.

Section 1 - Exempts purchases of prosthetic components and mobility enhancing equipment from sales tax.

Section 2 - Exempts purchasers of prosthetic components and mobility enhancing equipment from use tax.

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.

FY08 cash receipts are from Title XIX federal funding.

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.

Section 1 and 2 of this bill exempt purchases of mobility enhancing devices from sales and use tax. Medical Assistance (MA) based this estimate for expenditure reductions on the taxes paid in FY06 for mobility device purchases. In FY06 MA spent \$13,949,640 on mobility devices, of which \$1,080,968 was paid in sales tax. MA expects that this bill will therefore result in yearly expenditure reductions of \$1,081,000 for the department.

The current ProviderOne design does not support the ability to place an effective date in the tax indicator. If this bill is implemented and this capacity is then required, additional design, development, and implementation tasks would be necessary and would need to begin 4-6 months ahead of ProviderOne's July 1, 2008, implementation date. MA expects that this will cost the department between \$60,000 and \$80,000 in FY08, or approximately \$70,000.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Personal Service Contracts					
E-Goods and Services	70,000		70,000		
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services	(1,081,000)	(1,081,000)	(2,162,000)	(2,162,000)	(2,162,000)
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total:	\$(1,011,000)	\$(1,081,000)	\$(2,092,000)	\$(2,162,000)	\$(2,162,000)

Part IV: Capital Budget Impact

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.

LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

Bill Number: 1324 S HB	Title: 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: Sales and use tax exemption for mobility enhancing equipment.
- ☒ Counties: Sales and use tax exemption for mobility enhancing equipment.
- ☐ 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	(1,088,060)	(1,366,155)	(2,454,215)	(3,015,095)	(3,263,439)
County	(192,010)	(243,985)	(435,995)	(532,075)	(575,901)
Special District					
TOTAL \$	(1,280,070)	(1,610,140)	(2,890,210)	(3,547,170)	(3,839,340)
GRAND TOTAL \$					(10,276,720)

Estimated expenditure impacts to:

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

Part III: Preparation and Approval

Fiscal Note Analyst: Laura Melrose	Phone: (360) 725 5040	Date: 02/22/2007
Leg. Committee Contact: Rick Peterson	Phone: 360-786-7150	Date: 02/22/2007
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 03/08/2007
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 03/08/2007

Part IV: Analysis

A. SUMMARY OF BILL

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

DIFFERENCES FROM THE PREVIOUS VERSION OF THE BILL:

The bill does not include sales and use tax exemptions for prescribed durable medical equipment. The proposed tax refunds for medically prescribed oxygen and kidney dialysis devices have also been eliminated. The new version has also eliminated prescribed component parts of mobility enhancing equipment and prosthetic devices.

SUMMARY OF NEW VERSION:

This substitute bill amends retail sales and use tax for certain medical items referred to as durable medical equipment or mobility enhancing equipment.

Section 1 includes an amendment in which sales tax shall not apply to components of prosthetics and mobility enhancing equipment prescribed by a practitioner licensed in the state of Washington, the exemption only applies to the definition within this bill.

Section 2 is an amendment for use tax in which components of prosthetic devices and mobility enhancing equipment would have an exemption within the provisions of the RCW listed in the bill.

Section 3 would provide a sales tax exemption in the form of a refund for component parts of nebulizers. Sellers would collect the sales tax and the buyer applies directly to the Department of Revenue for the refund.

Section 4 would provide for the use tax exemption in the same manner as Section 3. A refund for component parts of nebulizers must be applied for by the buyer directly with the Department of Revenue.

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 local government expenditures would be experienced. The tax is collected and administered by the Department of Revenue.

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.

Gross revenue figures were provided by Department of Revenue (see first column below). The figures included in the front-page table and the second column below represent net revenue losses. Net losses were calculated by subtracting from gross revenue the 1 percent fee the Department of Revenue charges for collecting and administering the sales and use tax for local governments. County revenue represents 15 percent and city revenue 85 percent of annual totals.

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

FY 2008 - (\$1,293)

FY 2009 - (\$1,643)

FY 2010 - (\$1,740)

FY 2011 - (\$1,843)

FY 2012 - (\$2,000)

FY 2013 - (\$2,066)

Net local government revenue impact (fiscal years, cash basis):

FY 2008 - \$(1,280,070)

FY 2009 - \$(1,610,140)

FY 2010 - \$(1,722,600)

FY 2011 - \$(1,824,570)

FY 2012 - \$(1,980,000)

FY 2013 - \$(1,859,340)

EXPENDITURE AND REVENUE SOURCES:

Department of Revenue