

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 2927 HB	<b>Title:</b> Breast pumps/sales & use tax
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## Estimated Cash Receipts

Agency Name	2019-21		2021-23		2023-25	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	(717,000)	(718,000)	(1,752,000)	(1,754,000)	(2,034,000)	(2,038,000)
<b>Total \$</b>	<b>(717,000)</b>	<b>(718,000)</b>	<b>(1,752,000)</b>	<b>(1,754,000)</b>	<b>(2,034,000)</b>	<b>(2,038,000)</b>

Agency Name	2019-21		2021-23		2023-25	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other		(311,850)		(763,290)		(886,049)
Local Gov. Total		(311,850)		(763,290)		(886,049)

## Estimated Operating Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Joint Legislative Audit and Review Committee	.1	16,200	16,200	.0	4,000	4,000	.0	4,000	4,000
Department of Revenue	.3	52,900	52,900	.1	16,000	16,000	.1	16,000	16,000
<b>Total \$</b>	<b>0.4</b>	<b>69,100</b>	<b>69,100</b>	<b>0.1</b>	<b>20,000</b>	<b>20,000</b>	<b>0.1</b>	<b>20,000</b>	<b>20,000</b>

## Estimated Capital Budget Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Joint Legislative Audit and Review Committee	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

## Estimated Capital Budget Breakout

NONE

<b>Prepared by:</b> Ramona Nabors, OFM	<b>Phone:</b> (360) 902-0547	<b>Date Published:</b> Final 2/13/2020
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2927 HB	<b>Title:</b> Breast pumps/sales & use tax	<b>Agency:</b> 014-Joint Legislative Audit and Review Committee
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.1	0.0	0.1	0.0	0.0
<b>Account</b>					
General Fund-State 001-1	12,100	4,100	16,200	4,000	4,000
<b>Total \$</b>	12,100	4,100	16,200	4,000	4,000

### Estimated Capital Budget Impact:

NONE

*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: Tracey OBrien	Phone: 360-786-7152	Date: 02/08/2020
Agency Preparation: Dana Lynn	Phone: 360-786-5177	Date: 02/11/2020
Agency Approval: Keenan Konopaski	Phone: 360-786-5187	Date: 02/11/2020
OFM Review: Linda Hamilton	Phone: (360) 902-0556	Date: 02/11/2020

## 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 creates a new sales and use tax exemption for sales of, or repair and replacement parts for, breast pump collection and storage supplies.

Section 1 is an intent statement, noting the Legislature finds breast pump collection and storage supplies, parts, and services are basic necessities and should be exempt from sales and use tax, as is infant formula.

### TAX PERFORMANCE STATEMENT DETAILS

Section 2 is a new section that includes a tax preference performance statement that categorizes the preferences in the bill as ones intended to provide tax relief for certain individuals as indicated in RCW 82.32.808(2)(e).

The specific public policy objective is stated to facilitate breast milk availability for infants and provide the same tax preference as given to infant formula.

If a review finds that there are increased sales of breast pumps and other exempted items under this act as compared to the calendar year prior to the imposition of the preference, then the Legislature intends to extend the expiration date. JLARC staff are to refer to any data collected by the state to perform this review.

### SALES AND USE TAX EXEMPTION

Sections 3 and 4 create a new sales and use tax exemption in chapters 82.08 and 82.12 RCW for:

- Sales and use of a breast pump, repair and replacement parts thereof, and breast pump collection and storage supplies.
- Charges to install repair and replacement parts in, maintain, service or repair such items.

Terms used in the exemption are defined. Items that do not qualify as “breast pump collection and storage supplies” are listed.

The preference has an effective date of July 1, 2020, and is scheduled to expire January 1, 2031.

### 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.*

### 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.*

JLARC staff would contact and work with the Department of Revenue and other parties as necessary to ensure project contacts are established and any necessary data for a future evaluation, by JLARC are identified and collected.

The expenditure detailed noted reflects work conducted to prepare for and conduct the future review, which

would likely occur in 2028 and 2029, outside the fiscal note period.

This tax preference review may require additional resources. The audit will be conducted and presented to JLARC consistent with the processes used for the other tax preference reviews. Based on all tax preference legislation that is passed, JLARC may subsequently determine that it can absorb the costs for this proposed bill in its base budget, if the workload of other enacted tax preference legislation does not exceed current staffing. JLARC will assess all of the tax preference review mandated in the 2020 legislative session.

This audit will require an estimated 1 audit month.

JLARC Audit Months: JLARC calculates its staff resources in "Audit Months" to estimate the time and effort to undertake and complete its studies. An "Audit Month" reflects a JLARC analyst's time for a month, together with related administrative, support, and goods/services costs. JLARC's anticipated 2019-21 costs are calculated at approximately \$20,100 per audit month.

### Part III: Expenditure Detail

#### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2020	FY 2021	2019-21	2021-23	2023-25
001-1	General Fund	State	12,100	4,100	16,200	4,000	4,000
Total \$			12,100	4,100	16,200	4,000	4,000

#### III. B - Expenditures by Object Or Purpose

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.1		0.1		
A-Salaries and Wages	7,500	2,500	10,000	2,600	2,600
B-Employee Benefits	2,400	800	3,200	800	800
C-Professional Service Contracts					
E-Goods and Other Services	2,000	700	2,700	600	600
G-Travel	200	100	300		
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	12,100	4,100	16,200	4,000	4,000

**III. C - Operating FTE 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 2020	FY 2021	2019-21	2021-23	2023-25
Research Analyst	111,051	0.1		0.1		
Support staff	77,705					
Total FTEs		0.1		0.1		0.0

#### III. D - Expenditures By Program (optional)

NONE

### Part IV: Capital Budget Impact

#### IV. A - Capital Budget Expenditures

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

*Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods*

NONE

**Part V: New Rule Making Required**

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 2927 HB	<b>Title:</b> Breast pumps/sales & use tax	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

Account	FY 2020	FY 2021	2019-21	2021-23	2023-25
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax		(717,000)	(717,000)	(1,752,000)	(2,034,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax		(1,000)	(1,000)	(2,000)	(4,000)
<b>Total \$</b>		(718,000)	(718,000)	(1,754,000)	(2,038,000)

### Estimated Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.3	0.3	0.3	0.1	0.1
<b>Account</b>					
GF-STATE-State 001-1	30,500	22,400	52,900	16,000	16,000
<b>Total \$</b>	30,500	22,400	52,900	16,000	16,000

### Estimated Capital Budget Impact:

NONE

*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: Tracey OBrien	Phone: 360-786-7152	Date: 02/08/2020
Agency Preparation: Erikka Ferrara	Phone: 360-534-1517	Date: 02/10/2020
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 02/10/2020
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 02/13/2020

Request # 2927-1-1

## 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.*

#### CURRENT LAW:

These items are currently subject to sales and use tax.

#### PROPOSED LAW:

Creates a sales and use tax exemption for sales of a breast pump, repair and replacement parts, and certain breast pump collection and storage supplies. This exemption also applies to charges for installing, maintaining and servicing, or repairing of breast pump, and breast pump collection and storage supplies.

Definition of “breast pump” includes the electrically or manually controlled pump device and any battery, AC adapter, or other power supply unit packaged and sold with the pump device at the time of sale to power the pump device.

”Breast pump collection and storage supplies” does include but is not limited to:

- breast shields and breast shield connectors;
- breast pump tubes and tubing adapters;
- breast pump valves and membranes; backflow protectors and adaptors;
- bottle and bottle caps for the breast pump;
- breast milk storage bags;
- other items that might be useful for breastfeeding using a breast pump during lactation that may be sold separately but are generally sold with a breast pump kit.

”Breast pump collection and storage supplies” does not include the following if not sold as a prepackaged breast pump kit:

- bottle and caps not specific to the operation of the breast pump;
- breast pump cleaning supplies;
- nursing bras, bra pads, breast shells, and other similar products; and
- creams, ointments, and other similar products that relieve breastfeeding-related symptoms or conditions of the breasts or nipples.

“Breast pump kit” contains a breast pump and one or more of the following:

- breast pump collection and storage supplies; and
- other taxable items of tangible personal property that may be useful to initiate, support, or sustain breastfeeding using a breast pump during lactation - as long as the amount of taxable items is less than 10 percent of the total sales price of the breast pump kit.

#### EFFECTIVE/EXPIRATION DATE:

The bill takes effect on July 1, 2020.

The retail sales and use tax exemption expire January 1, 2031.

### 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:

- Sales tax exemption will not cause people to change (increase) their buying behavior.
- The rate of increased consumption of breast pump kits is 7.8 percent per year.



- Prices of products available on commercial websites accurately reflect real-world prices for these products.
- Exemption of such products is not a violation of the Streamlined Sales and Use Tax Agreement (SSUTA).

#### DATA SOURCES:

- US Census Bureau
- Global Market Insights

#### REVENUE ESTIMATES:

This bill decreases state revenues by an estimated \$718,000 in the 11 months of impacted collections in Fiscal Year 2021, and by \$844,000 in Fiscal Year 2022, the first full year of impacted collections.

This bill also decreases local revenues by an estimated \$315,000 in Fiscal Year 2021, and by \$371,000 in Fiscal Year 2022.

#### TOTAL REVENUE IMPACT:

##### State Government (cash basis, \$000):

FY 2020 -	(\$ 0)
FY 2021 -	(\$ 718)
FY 2022 -	(\$ 844)
FY 2023 -	(\$ 910)
FY 2024 -	(\$ 981)
FY 2025 -	(\$ 1,057)

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

FY 2020 -	(\$ 0)
FY 2021 -	(\$ 315)
FY 2022 -	(\$ 371)
FY 2023 -	(\$ 400)
FY 2024 -	(\$ 431)
FY 2025 -	(\$ 464)

## 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.*

#### ASSUMPTIONS:

This legislation will affect 9,000 taxpayers.

#### FIRST YEAR COSTS:

The Department of Revenue (Department) will incur total costs of \$30,500 in Fiscal Year 2020. These costs include:

Labor Costs - Time and effort equates to 0.3 FTE.

- Create a Special Notice and identify publications and information that needs to be created or updated on the Department's website.
- Respond to letter ruling requests, email inquiries, and more difficult call backs from the telephone information center.
- Answer additional phone calls and counter inquiries on tax questions and tax return preparation from businesses, individuals, and accountants.

Object Costs - \$30,500.

- Contract computer system programming to create a new deduction.

- Print and mail a special notice to taxpayers who do not file returns electronically.

## SECOND YEAR COSTS:

The Department will incur total costs of \$22,400 in Fiscal Year 2021. These costs include:

Labor Costs - Time and effort equates to 0.27 FTE.

- Process tax return work items, assist taxpayers with reporting questions and respond to inquiries via email and web message and paper correspondence.
- Amend one administrative rule.

## ONGOING COSTS:

Ongoing costs for the 2021-2023 Biennium equal \$16,000 and include similar activities described in the second year costs. Time and effort equates to 0.1 FTE.

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.3	0.3	0.3	0.1	0.1
A-Salaries and Wages	14,700	14,300	29,000	10,600	10,600
B-Employee Benefits	4,400	4,300	8,700	3,200	3,200
C-Professional Service Contracts	4,400		4,400		
E-Goods and Other Services	5,000	2,300	7,300	1,800	1,800
J-Capital Outlays	2,000	1,500	3,500	400	400
<b>Total \$</b>	<b>\$30,500</b>	<b>\$22,400</b>	<b>\$52,900</b>	<b>\$16,000</b>	<b>\$16,000</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

Job Classification	Salary	FY 2020	FY 2021	2019-21	2021-23	2023-25
EMS BAND 4	119,061		0.0	0.0		
EXCISE TAX EX 2	52,536		0.1	0.1	0.1	0.1
MGMT ANALYST3	59,436		0.0	0.0		
MGMT ANALYST4	68,892		0.1	0.1		
TAX INFO SPEC 1	42,132	0.2		0.1		
TAX INFO SPEC 4	62,460	0.1		0.1		
TAX POLICY SP 2	70,632		0.0	0.0		
TAX POLICY SP 3	79,944		0.0	0.0		
TAX POLICY SP 4	86,064		0.0	0.0		
WMS BAND 3	101,257		0.0	0.0		
<b>Total FTEs</b>		<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.1</b>	<b>0.1</b>

### III. C - Expenditures By Program (optional)

NONE

## Part IV: Capital Budget Impact

NONE

None.

Request # 2927-1-1

**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 expedited process to amend WAC 458-20-18801, titled: "Medical substances, devices, and supplies for humans, etc.". Persons affected by this rule-making would include those who buy and sell breast pumps and breast pump related items.

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

<b>Bill Number:</b> 2927 HB	<b>Title:</b> Breast pumps/sales & use tax
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## Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

### Legislation Impacts:

- ☒ Cities: decrease in sales tax revenue
- ☒ Counties: decrease in sales tax revenue
- ☒ Special Districts: decrease in sales tax revenue
- ☐ 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 2020	FY 2021	2019-21	2021-23	2023-25
City		(91,784)	(91,784)	(224,654)	(260,784)
County		(109,910)	(109,910)	(269,017)	(312,283)
Special District		(110,156)	(110,156)	(269,619)	(312,982)
<b>TOTAL \$</b>		(311,850)	(311,850)	(763,290)	(886,049)
<b>GRAND TOTAL \$</b>					(1,961,189)

### Estimated expenditure impacts to:

None

## Part III: Preparation and Approval

Fiscal Note Analyst: Tammi Vellinga	Phone: 360-725-5038	Date: 02/10/2020
Leg. Committee Contact: Tracey OBrien	Phone: 360-786-7152	Date: 02/08/2020
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/10/2020
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 02/13/2020

## 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 would create a sales and use tax exemption for sales of a breast pump, repair and replacement parts, and certain breast pump collection and storage supplies as defined in this legislation. This exemption also applies to charges for installing, maintaining and servicing, or repairing of breast pump, and breast pump collection and storage supplies.

#### EFFECTIVE/EXPIRATION DATE:

The bill takes effect on July 1, 2020.

The retail sales and use tax exemption expires January 1, 2031.

### 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.*

This bill would not impact local government expenditures.

### 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.*

According to the Department of Revenue, this bill would decrease local revenue by an estimated \$315,000 in Fiscal Year 2021, and by \$371,000 in Fiscal Year 2022.

#### ASSUMPTIONS:

- Sales tax exemption will not cause people to change (increase) their buying behavior.
- The rate of increased consumption of breast pump kits is 7.8 percent per year.
- Prices of products available on commercial websites accurately reflect real-world prices for these products.
- Exemption of such products is not a violation of the Streamlined Sales and Use Tax Agreement (SSUTA).

#### DATA SOURCES:

- US Census Bureau
- Global Market Insights

#### LOCAL GOVERNMENT IMPACT

##### Counties:

FY 2020	\$0
FY 2021	(\$109,910)
FY 2022	(\$129,449)
FY 2023	(\$139,568)
FY 2024	(\$150,384)
FY 2025	(\$161,899)

##### Cities:

FY 2020	\$0
FY 2021	(\$91,784)
FY 2022	(\$108,102)
FY 2023	(\$116,552)
FY 2024	(\$125,584)
FY 2025	(\$135,200)

##### Special Districts:

FY 2020	\$0
FY 2021	(\$110,156)
FY 2022	(\$129,739)

FY 2023 (\$139,880)  
FY 2024 (\$150,721)  
FY 2025 (\$162,261)

**METHODOLOGY:**

The distributions in this note for cities, counties, and special districts are based on DOR data for local sales and use tax distributions from Calendar Year 2018. Mitigation payments and distributions to hospital benefit zones are not factored into this distribution. This results in a distribution of 35.24 percent to counties, 29.43 percent to cities, and 35.32 percent to special districts. The one percent DOR administrative fee has also been deducted.

**SOURCES:**

Department of Revenue Fiscal Note  
Department of Revenue Local Tax Distributions (2018)  
Local Government Fiscal Note program, Local Sales Tax model 2020  
Local Government Fiscal Note program, Sales and Use Tax Distribution model 2020