

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5218 SB	<b>Title:</b> Complex rehab. products/tax
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## Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	(580,000)	(580,000)	(581,000)	(670,000)	(670,000)	(672,000)	(720,000)	(720,000)	(722,000)
<b>Total \$</b>	<b>(580,000)</b>	<b>(580,000)</b>	<b>(581,000)</b>	<b>(670,000)</b>	<b>(670,000)</b>	<b>(672,000)</b>	<b>(720,000)</b>	<b>(720,000)</b>	<b>(722,000)</b>

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other		(247,500)		(297,000)		(326,700)
Local Gov. Total		(247,500)		(297,000)		(326,700)

## Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Revenue	.3	59,600	59,600	59,600	.1	20,000	20,000	20,000	.1	20,000	20,000	20,000
<b>Total \$</b>	<b>0.3</b>	<b>59,600</b>	<b>59,600</b>	<b>59,600</b>	<b>0.1</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>0.1</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>

## Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
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

<b>Prepared by:</b> Cheri Keller, OFM	<b>Phone:</b> (360) 584-2207	<b>Date Published:</b> Final
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# Department of Revenue Fiscal Note

<b>Bill Number:</b> 5218 SB	<b>Title:</b> Complex rehab. products/tax	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

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No Fiscal Impact

### Estimated Cash Receipts to:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax	(260,000)	(320,000)	(580,000)	(670,000)	(720,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax		(1,000)	(1,000)	(2,000)	(2,000)
<b>Total \$</b>	(260,000)	(321,000)	(581,000)	(672,000)	(722,000)

### Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.5	0.1	0.3	0.1	0.1
<b>Account</b>					
GF-STATE-State 001-1	49,600	10,000	59,600	20,000	20,000
<b>Total \$</b>	49,600	10,000	59,600	20,000	20,000

### 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:

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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: Jeffrey Mitchell	Phone: 603-60-786-7438	Date: 01/10/2023
Agency Preparation: Erin Valz	Phone: 603-60-534-1522	Date: 01/20/2023
Agency Approval: Marianne McIntosh	Phone: 603-60-534-1505	Date: 01/20/2023
OFM Review: Cheri Keller	Phone: 603-60-584-2207	Date: 01/20/2023

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## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

#### CURRENT LAW:

Sales and use tax is applied to sales of complex rehabilitation technology products.

#### PROPOSAL:

This bill exempts from sales and use tax the sale or use of medically prescribed complex rehabilitation technology products and the components of these products.

"Complex rehabilitation technology products" means wheelchairs and seating systems that:

- Are individually configured for people to meet their specific and unique medical, physical, and functional needs and capacities for basic activities as medically necessary to prevent hospitalization or institutionalization of a complex needs patient,
- Are primarily used to serve a medical purpose and generally not useful to a person without an illness or injury, and
- Require certain services to allow for design, configuration, and use of the item, including patient evaluation and equipment fitting and configuration.

"Complex rehabilitation technology products" also means medical equipment covered in whole, or in part, by Medicaid, the children's health insurance program, or a state-only funded health care program, and identified in a coverage table in a complex rehabilitation technology billing guide, or a successor billing guide or publication addressing coverage of complex rehabilitation technology products, published by the Washington state health care authority is presumed to be a complex rehabilitation technology product.

#### EFFECTIVE DATE:

This bill takes effect on August 1, 2023.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

#### ASSUMPTIONS

- Growth rate mirrors the Economic and Revenue Forecast Council November 2022 forecast for sales and use tax.
- Currently, tribes with compacts receive a share of state sales and use tax and certain business and occupation taxes (RCW 43.06.523). Additionally, local governments may also receive a portion of state sales and use tax. Under this proposal the amount of revenue shared with tribes and local governments may decrease.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.9231%.
- This proposal takes effect August 1, 2023, and impacts ten months of collections in fiscal year 2024.

#### DATA SOURCES

- Economic and Revenue Forecast Council, November 2022 forecast
- Centers for Medicare and Medicaid Services
- Washington State Office of the Insurance Commissioner
- Washington State Healthcare Authority

#### REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$260,000 in the 10 months of impacted collections in fiscal year 2024, and by \$321,000 in fiscal year 2025, the first full year of impacted collections. This bill also decreases local revenues by an

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estimated \$110,000 in the 10 months of impacted collections in fiscal year 2024, and by \$140,000 in fiscal year 2025, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

- FY 2024 - (\$ 260)
- FY 2025 - (\$ 321)
- FY 2026 - (\$ 331)
- FY 2027 - (\$ 341)
- FY 2028 - (\$ 351)
- FY 2029 - (\$ 371)

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

- FY 2024 - (\$ 110)
- FY 2025 - (\$ 140)
- FY 2026 - (\$ 150)
- FY 2027 - (\$ 150)
- FY 2028 - (\$ 160)
- FY 2029 - (\$ 170)

II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

ASSUMPTIONS:

This bill affects approximately 50 taxpayers.

FIRST YEAR COSTS:

The Department of Revenue (department) will incur total costs of \$49,600 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 0.47 FTEs.

- Amend one administrative rule.
- Identify website publications and information the department may need to create or update.
- Respond to tax ruling requests, email inquiries, and more difficult call backs from the telephone information center.
- Process tax return work items, assist taxpayers with reporting questions, and respond to inquiries via email and web message and paper correspondence.

Object Costs - \$2,200.

- Computer system changes, including contract programming.

SECOND YEAR COSTS:

The department will incur total costs of \$10,000 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 0.1 FTEs.

- Continued response of letter ruling requests and email inquiries.

ONGOING COSTS:

Ongoing costs for the 2026-27 biennium equal \$10,000 and include similar activities described in the second-year costs. Time and effort equate to 0.1 FTEs.

## Part III: Expenditure Detail

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.5	0.1	0.3	0.1	0.1
A-Salaries and Wages	28,500	6,600	35,100	13,200	13,200
B-Employee Benefits	9,400	2,200	11,600	4,400	4,400
C-Professional Service Contracts	2,200		2,200		
E-Goods and Other Services	6,500	900	7,400	1,800	1,800
J-Capital Outlays	3,000	300	3,300	600	600
<b>Total \$</b>	<b>\$49,600</b>	<b>\$10,000</b>	<b>\$59,600</b>	<b>\$20,000</b>	<b>\$20,000</b>

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

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
EMS BAND 4	126,619	0.0		0.0		
EXCISE TAX EX 3	61,632	0.1		0.1		
MGMT ANALYST4	73,260	0.0		0.0		
TAX INFO SPEC 4	66,420	0.3	0.1	0.2	0.1	0.1
TAX POLICY SP 2	75,120	0.0		0.0		
TAX POLICY SP 3	85,020	0.0		0.0		
TAX POLICY SP 4	91,524	0.0		0.0		
WMS BAND 3	107,685	0.0		0.0		
<b>Total FTEs</b>		<b>0.5</b>	<b>0.1</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

### IV. A - Capital Budget Expenditures

NONE

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

NONE

### IV. C - Capital Budget Breakout

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

## Part V: New Rule Making Required

*Provisions of the bill 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-Drugs prescribed for human use-Medically prescribed oxygen-Prosthetic devices-Mobility enhancing equipment-Durable medical equipment."

Persons affected by this rulemaking would include buyers and sellers of complex rehabilitation technology products.

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# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

<b>Bill Number:</b> 5218 SB	<b>Title:</b> Complex rehab. products/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: same as above

☒ Special Districts: same as above

☐ 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 2024	FY 2025	2023-25	2025-27	2027-29
City	(32,434)	(41,279)	(73,713)	(88,456)	(97,302)
County	(39,870)	(50,743)	(90,613)	(108,736)	(119,609)
Special District	(36,596)	(46,578)	(83,174)	(99,808)	(109,789)
<b>TOTAL \$</b>	(108,900)	(138,600)	(247,500)	(297,000)	(326,700)
<b>GRAND TOTAL \$</b>					(871,200)

**Estimated expenditure impacts to:**

None

**Part III: Preparation and Approval**

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 01/22/2023
Leg. Committee Contact: Jeffrey Mitchell	Phone: 360-786-7438	Date: 01/10/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/22/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/23/2023

## Part IV: Analysis

### A. SUMMARY OF BILL

*Description of the bill with an emphasis on how it impacts local government.*

This bill would amend RCW 82.08.0283 to add "medically prescribed complex rehabilitation technology products and the components of these products" as exempt from the sales and use tax.

### B. SUMMARY OF EXPENDITURE IMPACTS

*Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.*

This bill would not impact local government expenditures.

### C. SUMMARY OF REVENUE IMPACTS

*Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.*

This bill would decrease sales and use tax revenue for local governments by providing an exemption on medically prescribed complex rehabilitation technology products and the components of these products, as defined in the bill.

According to the Department of Revenue, this bill decreases local revenues by an estimated \$110,000 in the 10 months of impacted collections in fiscal year 2024, and by \$140,000 in fiscal year 2025, the first full year of impacted collections. Please see the DOR fiscal note for their assumptions and data sources.

#### LOCAL GOVERNMENT REVENUE LOSS DISTRIBUTION

##### Counties:

FY 2024	-\$39,870
FY 2025	-\$50,743
FY 2026	-\$54,368
FY 2027	-\$54,368
FY 2028	-\$57,992
FY 2029	-\$61,617

##### Cities:

FY 2024	-\$32,434
FY 2025	-\$41,279
FY 2026	-\$44,228
FY 2027	-\$44,228
FY 2028	-\$47,177
FY 2029	-\$50,125

##### Special Districts:

FY 2024	-\$36,596
FY 2025	-\$46,578
FY 2026	-\$49,904
FY 2027	-\$49,904
FY 2028	-\$53,231
FY 2029	-\$56,558

#### 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 2021. Mitigation payments and distributions to hospital benefit zones are not factored into this distribution. The result is a distribution of 36.61 percent to counties, 29.78 percent to cities, and 33.61 percent to

special districts. The one percent DOR administrative fee has also been deducted.

SOURCES:

Department of Revenue Fiscal Note, SB 5218 (2023)

Department of Revenue Local Tax Distributions (2021)

Local Government Fiscal Note program, Local Sales Tax model 2023

Local Government Fiscal Note program, Sales and Use Tax Distribution model 2023