

Multiple Agency Fiscal Note Summary

Bill Number: 5218 S SB	Title: Mobility enhancing equip/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)
Total \$	(580,000)	(580,000)	(581,000)	(670,000)	(670,000)	(672,000)	(720,000)	(720,000)	(722,000)

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Total		(247,500)		(297,000)		(326,700)
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other		(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	82,700	82,700	82,700	.1	22,600	22,600	22,600	.1	22,600	22,600	22,600
Total \$	0.3	82,700	82,700	82,700	0.1	22,600	22,600	22,600	0.1	22,600	22,600	22,600

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
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

Prepared by: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Final 3/27/2023
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Department of Revenue Fiscal Note

Bill Number: 5218 S SB	Title: Mobility enhancing equip/tax	Agency: 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)
Total \$	(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	0.6	0.1	0.3	0.1	0.1
Account					
GF-STATE-State 001-1	71,400	11,300	82,700	22,600	22,600
Total \$	71,400	11,300	82,700	22,600	22,600

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.

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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: Alia Kennedy	Phone: (360) 786-7405	Date: 03/22/2023
Agency Preparation: Erin Valz	Phone: (360) 534-1522	Date: 03/25/2023
Agency Approval: Valerie Torres	Phone: (360) 534-1521	Date: 03/25/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 03/26/2023

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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.

Note: This fiscal note reflects language in SSB 5218, 2023 Legislative Session.

COMPARISION OF SUBSTITUTE BILL WITH ORIGINAL BILL:

Compared to the original bill this bill:

- Requires the buyer to provide the seller with an exemption certificate.
- Makes changes to the definition of "complex needs patient".

CURRENT LAW:

Sales and use tax applies to sales of mobility enhancing equipment.

PROPOSAL:

This bill exempts from sales and use tax the sale or use of mobility enhancing equipment for use by or for a complex needs patient to meet the user's specific and unique medical, physical, and functional needs and capacities for basic activities when medically necessary to prevent hospitalization or institutionalization of the complex needs patient.

To claim the exemption, the buyer must provide the seller with an exemption certificate.

"Complex needs patient" means an individual with a diagnosis or medical condition that results in significant physical or functional needs and capacities (RCW 74.09.557).

The new tax preference performance provisions do not apply to this bill (see section 4 of the bill).

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 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,

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and by \$321,000 in fiscal year 2025, the first full year of impacted collections. This bill also 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.

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 \$71,400 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 0.55 FTE.

- 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.
- Gather requirements, attend implementation meetings, document, and test system changes due to new deduction.

Object Costs - \$6,600.

- Computer system changes, including contract programming.

SECOND YEAR COSTS:

The department will incur total costs of \$11,300 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 0.1 FTE.

- Continued response to letter ruling requests and email inquiries.

ONGOING COSTS:

Ongoing costs for the 2025-27 biennium equal \$22,600 and include similar activities described in the second-year costs. Time and effort equate to 0.1 FTE.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.6	0.1	0.3	0.1	0.1
A-Salaries and Wages	39,600	7,500	47,100	15,000	15,000
B-Employee Benefits	13,000	2,500	15,500	5,000	5,000
C-Professional Service Contracts	6,600		6,600		
E-Goods and Other Services	8,500	1,000	9,500	2,000	2,000
J-Capital Outlays	3,700	300	4,000	600	600
Total \$	\$71,400	\$11,300	\$82,700	\$22,600	\$22,600

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		
MGMT ANALYST4	73,260	0.2		0.1		
TAX POLICY SP 2	75,120	0.3	0.1	0.2	0.1	0.1
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		
Total FTEs		0.6	0.1	0.3	0.1	0.1

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.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5218 S SB	Title: Mobility enhancing equip/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)
TOTAL \$	(108,900)	(138,600)	(247,500)	(297,000)	(326,700)
GRAND TOTAL \$					(871,200)

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 03/27/2023
Leg. Committee Contact: Alia Kennedy	Phone: 360-786-7405	Date: 03/22/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 03/27/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 03/27/2023

Part IV: Analysis

A. SUMMARY OF BILL

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

This fiscal note reflects language in SB 5218, 2023 Legislative Session.

CHANGES BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:

- Requires the buyer to provide an exemption certificate to the seller
- Modifies the definition of "complex needs patient"
- Makes technical changes to conform with the multistate streamlined sales and use tax agreement

The changes in the substitute version do not create any new fiscal impacts to local governments.

SUMMARY OF CURRENT BILL:

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.

CHANGES IN EXPENDITURE IMPACTS BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:

None

EXPENDITURE IMPACTS OF CURRENT BILL:

This bill would not impact local government expenditures because no action is required.

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.

CHANGES IN REVENUE IMPACTS BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:

None

REVENUE IMPACTS OF CURRENT BILL:

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 (DOR) 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, SSB 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)
Senate Bill Report, SSB 5218, Ways and Means Committee (3/16/2023)