

# NEW REVENUE IDEAS WITH NEXUS TO PUBLIC HEALTH

## **APPLY RETAIL SALES/USE TAX TO MEDICAL SERVICES**

Description: Medical services are not subject to the retail sales/use tax currently. The change would make them taxable under the retail sales/use tax and under the B&O tax at the retailing rate of 0.471 percent (instead of 1.5 percent). Medical services include services provided by physicians, dentists, other health practitioners, hospitals, medical laboratories, outpatient services, nursing homes, and other similar services.

Tax Base. Price charged by health care professionals and organizations for services provided.

Rate. State: 6.5 percent; local: varies.

### Other implementation considerations.

- Administration: Would require significant sales invoice systems reprogramming for health care providers.
- Growth potential: Strong, based on the expected increases in consumer outlays for health care.
- Viability: Little risk, since based on an existing tax.
- Stability: Reasonably stable.
- Equity: Regressive. Burden is on those who require health care (i.e., almost everyone).
- Accountability: Legislative process. Could be put to a public referendum. Could also include a local match or participation requirement.
- Distribution mechanism: Distribute based on population or other significant driver of demand for public health services.

### Implications.

- Would increase costs of health care, already considered to be high.
- Would add to the difficulty in medical invoicing (e.g., consumer and insurance often share costs, but consumer would presumably be responsible for the tax on the entire charge).
- Broadening the overall retail tax base helps create stability in overall revenues.

Fiscal Impact, 2007 (\$000):                      State:    \$ 660,500      Local:            \$203,200

## NEW REVENUE IDEAS WITH NEXUS TO PUBLIC HEALTH

### **APPLY RETAIL SALES/USE TAX TO SELECTED CONSUMER SERVICES**

Description: Many consumer services are not subject to the retail sales/use tax currently. The change would make selected services with some nexus to health or fitness taxable under the retail sales/use tax and under the B&O tax at the retailing rate of 0.471 percent (instead of 1.5 percent). Services that would be made taxable include professional sports clubs, physical fitness services, golf, bowling, membership at sports clubs, coin-operated amusement devices, amusement parks, and other amusement and recreation activities.

Tax Base. Price charged for services to consumers for various services.

Rate. State: 6.5 percent; local: varies.

#### Other implementation considerations.

- Administration: Would require significant sales invoice systems reprogramming for sellers of services.
- Growth potential: Moderate, based on demand for fitness and amusement related services.
- Viability: Little risk, since based on an existing tax.
- Stability: Reasonably stable.
- Equity: Regressive. Burden shouldered by those who engage in fitness, recreation, and amusement services.
- Accountability: Legislative process. Could be put to a public referendum. Could also include a local match or participation requirement.
- Distribution mechanism: Distribute based on population or other significant driver of demand for public health services.

#### Implications.

- By increasing the effective cost of the selected services, there is likely to be some reduction in demand for some fitness activities.
- Broadening the overall retail tax base helps create stability in overall revenues.

Fiscal Impact, 2007 (\$000) :                      State:    \$ 40,900                      Local:    \$12,600

## NEW REVENUE IDEAS WITH NEXUS TO PUBLIC HEALTH

### **MODIFY TAXATION OF SEWERAGE/SOLID WASTE SERVICES**

Description: Income from sewerage collection services is currently taxable under the public utility tax at a rate of 3.852 percent. Income from solid waste collection services is taxable under the B&O tax at 1.5 percent, and consumers are also subject to the solid waste collection tax at 3.6 percent. This change would make these services taxable retail services. Consumers would face a state rate of 6.5 percent and business income would be subject to the B&O tax at a 0.471 percent rate. City governments would be required to allow a credit for any local retail tax paid against any municipal utility tax liability.

Tax Base. Price of sewerage and solid waste collection services.

Rate. State: 6.5 percent. Local: varies.

#### Other implementation considerations.

- Administration: Local utilities would need to modify billing practices.
- Growth potential: Moderate, based on changes in population growth and utility rates.
- Viability: Little risk, since based on an existing tax.
- Stability: Reasonably stable.
- Equity: Regressive. Burden would likely be passed to all businesses and households in the state with solid waste or sewerage collection services.
- Accountability: Legislative process. Could be put to a public referendum. Could also include a local match or participation requirement.
- Distribution mechanism: Distribute based on population or other significant driver of demand for public health services.

#### Implications.

- Would affect most businesses and households.
- The total state and local utility tax rates are already relatively high, especially in cities. This would make the effective rates even higher.
- The tax base is very transparent.

Fiscal Impact, 2007 (\$000) \* :                      State:    \$25,600                      Local:    \$5,000

\* Net change to accommodate existing distributions for local public works.

## NEW REVENUE IDEAS WITH NEXUS TO PUBLIC HEALTH

### **WHOLESALE SODA CAN TAX**

Description: Sales of soft drinks, including canned soda, are currently subject to retail sales/use tax. The change would require that, in addition to the retail tax, wholesales of canned soda be taxed at a rate of 5 cents per 12 ounce can or its equivalent.

Tax Base. Number of ounces of canned or bottled soda sold at wholesale.

Rate. 5 cents per 12 ounces of soda.

#### Other implementation considerations.

- Administration: Changes would be required both by the seller and by the Department of Revenue. However, a similar tax has been imposed previously in Washington.
- Growth potential: Limited, based on population growth.
- Viability: Little risk, since based on a tax that was previously imposed.
- Stability: Reasonably stable.
- Equity: Regressive. Affects those that drink soft drinks.
- Accountability: Legislative process. Could be put to a public referendum. Could also include a local match or participation requirement.
- Distribution mechanism: Distribute based on population or other significant driver of demand for public health services.

#### Implications.

- Canned soda would be taxed at a higher rate than soda fountain soda, effectively.
- In recent years, carbonated beverages have been losing market share to other types of bottled beverages, and this tax would make the industry economics even more difficult.
- Some of the tax may be born by the consumer, some by business.

Fiscal Impact, 2007 (\$000):                      State:    \$ 152,500                      Local:    \$0

## NEW REVENUE IDEAS WITH NEXUS TO PUBLIC HEALTH

### **APPLY PUBLIC UTILITY TAX TO SUBSCRIPTION TELEVISION**

Description: The public utility excise tax would be amended to impose an 8.5 percent tax on subscription television service, which includes cable and satellite television. Credits are allowed for franchise fees and taxes imposed by cities and towns so as to not impair local government utility tax and fee revenue.

Tax Base. Gross receipts of businesses that provided subscription television services.

Rate. 8.5 percent.

#### Other implementation considerations.

- Administration: No significant changes needed, relative to current practice.
- Growth potential: Moderate, based on population growth and price increases in cable/satellite TV services.
- Viability: Some risk. Representatives of the satellite broadcast industry have suggested potential legal challenges based on a past proposal.
- Stability: Reasonably stable.
- Equity: Regressive. Burden is assumed to be passed through to households with subscription TV services.
- Accountability: Legislative process. Could be put to a public referendum. Could also include a local match or participation requirement.
- Distribution mechanism: Distribute based on population or other significant driver of demand for public health services.

#### Implications.

- Relative to current market, would impact satellite negatively relative to cable (because of credits allowed for local taxes/franchise fees on cable TV).
- Would improve the “playing field” between cable and satellite with respect to state and local taxation.
- Risks in both short-term (e.g., potential legal challenges) and long-term (e.g., market may change to be more internet-based).

Fiscal Impact, 2007 (\$000):                      State:    \$ 13,700                      Local:    \$0

## NEW REVENUE IDEAS WITH NEXUS TO PUBLIC HEALTH

### **WATER SERVICE CONNECTION TAX**

Description: Currently, the gross receipts of utilities that provide water service is taxed under the public utility tax at a rate of 5.028 percent. This change would provide an additional consumer tax on service connections at a rate of \$1 per month.

Tax Base. Number of water service connections.

Rate. \$1 per connection per month.

#### Other implementation considerations.

- Administration: A few changes would be needed.
- Growth potential: Limited, based on population growth.
- Viability: Little risk.
- Stability: Extremely stable.
- Equity: Regressive. Burden applies to all businesses and households in the state with water connections.
- Accountability: Legislative process. Could be put to a public referendum. Could also include a local match or participation requirement.
- Distribution mechanism: Distribute based on population or other significant driver of demand for public health services.

#### Implications.

- Since water connections are presumably necessary for existence, all residents and businesses would be affected. Unlike other proposals, those in the lowest income levels could not avoid the tax.
- Washington's fragmented water system is already high-cost in some areas (lack of economies of scale). In addition, utility taxes are already relatively high, especially in cities.
- The tax base is very transparent.

Fiscal Impact, 2007 (\$000):                      State:    \$ 28,800                      Local:    \$0

# NEW REVENUE IDEAS WITH NEXUS TO PUBLIC HEALTH

## **NEW STATE PROPERTY TAX**

Description: Impose a new state regular levy of 7 cents per \$1,000 of assessed value, separate from the levy for common schools. Because in recent years there have been tighter limitations placed on revenue collections and because assessed valuations have been increasing rapidly, the actual rates in many places have been dropping. The decline in the state rate means that there is capacity within the overall statutory limit on regular levies of \$10.00 per \$1,000 for new levy authorities.

Tax Base. Assessed value of property.

Rate. 7 cents per \$1,000 of assessed value, initially.

### Other implementation considerations.

- Administration: No significant changes needed, relative to current practice.
- Growth potential: Limited, based on statutory revenue collection growth limitations.
- Viability: Little legal risk, since similar taxes exist.
- Stability: Very stable.
- Equity: Neutral. Burden applies to property owners.
- Accountability: Legislative process. Could be put to a public referendum. Could also include a local match or participation requirement.
- Distribution mechanism: Distribute based on population or other significant driver of demand for public health services.

### Implications.

- While the recent run-up in assessed values has meant that there is more “capacity,” an additional regular levy would add to the relatively high tax increases that are faced by property owners where the values have been going up the fastest.
- Other regular levies in some areas could be prorated downward. Prorating is the mechanism to address the possibility that the combination of actual individual levy rates may exceed aggregate statutory maximums. When this happens, the law requires districts, in a certain order, to reduce levy rates in order to fall within the aggregate limits.
- While there is little legal risk, there may be significant risk through the referendum or voter initiative process, based on voter initiative activity in recent years relating to property taxation.

Fiscal Impact, 2007 (\$000):                      State:    \$ 51,300                      Local:    \$0

**MODIFICATIONS TO EXISTING REVENUE SOURCES WITH PUBLIC HEALTH NEXUS**

**APPLY SURTAX OF 10% TO HEALTH INSURANCE PREMIUMS TAX**

Description: Currently, insurers pay a 2 percent tax on net premiums collected (i.e., after the deduction of any premiums returned to policyholders). Premium taxes collected from health care organizations are deposited to the Health Services Account. The change would apply a 10 percent surtax to net premiums collected by health care organizations, a rate of 0.2 percent.

Fiscal Impact, 2007 (\$000):                      State:    \$13,600                      Local:    \$0

**APPLY SURTAX OF 10% TO WATER/SEWER PUBLIC UTILITY TAX**

Description: Currently, utilities that provide water service are taxed on gross receipts at a base rate of 4.7 percent. Utilities that provide sewerage collection services are taxed at a base rate of 3.6 percent. Both are subject to an additional surtax of 7 percent (bringing the total effective rates to 5.029 percent and 3.852 percent, respectively). A portion of the receipts is deposited to the Public Works Assistance Account, and the remainder goes to the state General Fund. The change would apply a second surtax of 10 percent to the base rates (effectively 0.47 percent for water utilities and 0.36 percent for sewerage utilities).

Fiscal Impact, 2007 (\$000):                      State:    \$9,600                      Local:    \$0

**INCREASE THE RETAIL SALES/USE TAX ON RESTAURANTS BY 0.5%**

Description: The state retail sales/use tax rate on sales of food and beverages at restaurants and taverns is increased from 6.5 to 7 percent.

Fiscal Impact, 2007 (\$000):                      State:    \$43,800                      Local:    \$0

**INCREASE B&O TAX RATE ON MEDICAL SERVICES TO 1.75%**

Description: Currently, medical services (physicians, hospitals, dentists, medical laboratories, outpatient services, nursing homes, etc.) pay tax under the B&O tax at a 1.5 percent rate. The tax on public and nonprofit hospitals is deposited to the Health Services Account, and the tax on other medical service providers is deposited to the State General Fund. The change would make all such services taxable at 1.75 percent.

Fiscal Impact, 2007 (\$000):                      State:    \$29,500                      Local:    \$0



**MODIFICATIONS TO EXISTING REVENUE SOURCES WITH PUBLIC HEALTH NEXUS**

**ADD AN ADDITIONAL CIGARETTE TAX OF 40 CENTS PER PACK**

Description: Currently, cigarettes are taxed at an aggregate state rate of \$2.025 per pack of 20 cigarettes. The breakdown of the aggregate tax is:

- 23 cents – State General Fund.
- 8 cents – Water Quality Account (for use in various water quality programs).
- 10.5 cents – Violence Reduction and Drug Enforcement Account (for drug/alcohol programs).
- 41 cents – Health Services Account (for state health care programs).
- 60 cents – Health Services Account (from I-773, for tobacco prevention and control and for supplementing enrollment in the basic health plan).
- 60 cents – Mostly to the Education Legacy Account, for the purposes of funding the Student Achievement Fund and certain other higher education purposes.

The change would impose an additional tax of 40 cents per pack.

Fiscal Impact, 2007 (\$000):                                      State:     \$12,000                      Local:     \$0

**APPLY SURTAXES TO WINE, BEER, AND LIQUOR TAXES OF 10%.**

Description: Currently, a number of different taxes apply to the various alcoholic beverages, including wines (table, fortified, and cider); beer; and liquor (hard alcohol and all other beverages that contain alcohol obtained by distillation). Some of the taxes are based on the sales price, while others are based on volume sold. Receipts are credited to various accounts and entities, including the State General Fund, Health Services Account, Violence Reduction and Drug Enforcement Account, and others. (Details of these taxes may be found on pages 51-61 of the 2004 “Tax Reference Manual,” available from the Department of Revenue.)

The change would impose surtaxes of 10% applied to all existing rates.

Fiscal Impact, 2007 (\$000):                                      State:     \$19,100                      Local:     \$0

**TAX PREFERENCES WITH NEXUS TO PUBLIC HEALTH:**  
**B&O TAX EXEMPTIONS**

**82.04.311 TOBACCO SETTLEMENT AUTHORITY**

Description: Exemption from state B&O tax is provided for the Tobacco Settlement Authority. The Authority purchases certain rights under the Master Settlement Agreement and issues revenue bonds to pay outstanding obligations of the state in order to make funds available for health and other programs.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$ 561	\$ 570
Local tax	\$ 0	\$ 0

**82.04.324 BLOOD, BONE AND TISSUE BANKS**

Description: B&O tax exemption is provided for nonprofit blood, bone or tissue banks for income that is exempted from federal income tax.

Impact (\$000):	FY 2006	FY 2007
State tax	\$ 380	\$ 393
Local tax	\$ 0	\$ 0

**82.04.326 ORGAN PROCUREMENT**

Description: B&O tax exemption is allowed for nonprofit organ procurement organizations on income which is exempt from federal income tax.

Impact (\$000) : Due to confidentiality requirements, the impact of this exemption cannot be publicly stated because it is believed to affect fewer than three taxpayers.

**82.04.4265 MEDICAL SUPPLIES PURCHASED BY CANCER CENTERS**

Description: B&O tax exemption is established for income received by a comprehensive cancer center to the extent that it also qualifies for federal income tax exemption.

Impact (\$000) : Due to confidentiality requirements, the impact of this exemption cannot be publicly stated because it is believed to affect fewer than three taxpayers.

**TAX PREFERENCES WITH NEXUS TO PUBLIC HEALTH:**  
**BUSINESS AND OCCUPATION TAX -DEDUCTIONS**

**82.04.4311 PUBLIC/NONPROFIT HOSPITALS; GOVT. SUBSIDIZED BENEFITS**

Description: B&O tax deduction is allowed for hospitals or community health centers owned by a government entity or nonprofit organization for compensation for health care services received from the federal Medicare program, state health programs under Chapter 74.09 RCW, or the state's basic health program. The deduction applies regardless of whether the revenues were received directly from these programs or through managed health care organizations. The deduction is limited to payments from these governmental programs and does not extend to patient copayments or deductibles.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$ 69,305	\$ 74,946
Local tax	\$ 0	\$ 0

**82.04.432 MUNICIPAL SEWER CHARGES**

Description: City sewer utilities are permitted to deduct from income subject to B&O tax any payments to other cities or other governmental agencies for interception, treatment or disposal of sewerage.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$ 2,539	\$ 2,638
Local tax	\$ 0	\$ 0

**TAX PREFERENCES WITH NEXUS TO PUBLIC HEALTH:**  
**BUSINESS AND OCCUPATION TAX –PREFERENTIAL TAX RATES**

**82.04.272 RESELLERS OF PRESCRIPTION DRUGS**

Description: A preferential B&O tax rate is provided for resellers of prescription drugs that are registered with the Federal Drug Enforcement Administration and licensed by the State Board of Pharmacies. The tax rate is 0.138 percent, compared with the 0.484 percent rate for wholesalers and 0.471 percent for retailers. Drug resellers typically purchase drugs from the manufacturer and sell them directly to a retailer or health care provider.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$ 5,373	\$ 5,611
Local tax	\$ 0	\$ 0

**82.04.2906 TREATMENT OF CHEMICAL DEPENDENCY**

Description: Taxpayers who provide intensive in-patient or recovery house residential treatment services for chemical dependency are subject to B&O tax at a rate of 0.484 percent, rather than the general medical services rate of 1.5 percent. The lower tax rate applies only to receipts from governmental sources. To qualify, the firm must be certified by DSHS.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$ 34	\$ 35
Local tax	\$ 0	\$ 0

**TAX PREFERENCES WITH NEXUS TO PUBLIC HEALTH:**  
**BUSINESS AND OCCUPATION TAX – CREDITS**

**82.04.4452 RESEARCH AND DEVELOPMENT TAX CREDIT**

Description: A B&O tax credit is provided for qualified expenditures on research and development by certain firms. Eligible firms must be engaged in one of five fields of high technology: advanced computing, advanced materials, biotechnology, electronic device technology, or environment technology. Firms must spend at least 0.92 percent of their taxable income upon R&D activities. The R&D credit is calculated on the amount of R&D expenditures in excess of 0.92 percent of taxable income. The credit is computed until 2007 using the taxpayer's average tax rate. Beginning in 2007, the credit is calculated using a specified statutory percentage, which after 2009 is equal to 1.5 percent of the amount spent on eligible R&D activities. The credit that may be claimed is capped at \$2 million per year for each participating firm.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$ 18,248	\$ 20,381
Local tax	\$ 0	\$ 0

**C 265 L 06 PATIENT LIFTING DEVICES**

Description: A B&O tax credit is provided for hospitals licensed by the Department of Health. The credit is equal to 100 percent of the cost of acquiring mechanical lifting devices consistent with a Safe Patient Handling Program. The maximum credit for each hospital is \$1,000 for each acute care available inpatient bed.

Impact (\$000) :	FY 2006	FY 2007	FY 2008
State tax	N/A	\$ 0	\$ 5,000
Local tax	N/A	\$ 0	\$ 0

**C 245 L 06 CARBONATED BEVERAGE SYRUP TAX**

Description: A buyer of carbonated beverage syrup may claim a credit against business and occupation tax for carbonated beverage syrup taxes paid after July 1, 2006, in respect to the syrup. The credit is equal to 25 percent of the amount paid from July 1, 2006 through June 30, 2007, 50 percent from July 1, 2007 through June 30, 2008, 75 percent from July 1, 2008 through June 30, 2009, and 100 percent after June 30, 2009.

Impact (\$000) :	FY 2006	FY 2007
State tax	N/A	\$ 2,294
Local tax	N/A	\$ 0

**TAX PREFERENCES WITH NEXUS TO PUBLIC HEALTH:**  
**RETAIL SALES/USE TAX - EXEMPTIONS**

**82.04.050(8) FERTILIZER AND CHEMICAL SPRAY**

Description: Sales of fertilizer and chemical sprays are excluded from the definition of retail sale, if they are used in the commercial production of any agricultural commodity.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$ 43,022	\$ 45,173
Local tax	\$ 9,266	\$ 9,730

**82.08.840 FIELD BURNING EQUIPMENT**

**82.12.840**

Description: Exemption from retail sales/use tax is provided for certain equipment used to dispose of straw and straw-based products in an alternative manner to burning. Included in the exemption are services related to construction of structures and equipment to store hay. To qualify for the incentives, a farmer must have more than 50 percent of his or her tillable acres in cereal grains and/or field and turf grass grown for seed, and be located in a qualified county. A qualified county is one where cereal grain production exceeds 15,000 acres.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$ 2,000	\$ 2,000
Local tax	\$ 554	\$ 554

**82.08.890 LIVESTOCK NUTRIENT MANAGEMENT**

**82.12.890**

Description: Retail sales/use tax exemption is provided for facilities used for livestock nutrient management, including the maintenance and repair of equipment. The facilities and equipment must be used exclusively for activities necessary to maintain a nutrient management plan (NMP). Eligible persons include licensed dairies with certified dairy nutrient management plans; animal feeding operations with a state waste discharge permit; and animal feeding operations with nutrient management plans approved by a conservation district as meeting Natural Resource Conservation Service Field Office Technical Guide (FOTG) standards. The exemption is available only after the NMP is certified under state law, approved as part of a state water pollution control permit, or approved by a conservation district as meeting FOTG standards.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$ 304	\$ 386
Local tax	\$ 88	\$ 114

**TAX PREFERENCES WITH NEXUS TO PUBLIC HEALTH:**  
**RETAIL SALES/USE TAX - EXEMPTIONS**

**82.08.900 ANAEROBIC DIGESTERS FOR DAIRIES**  
**82.12.900**

Description: Exemption from retail sales/use tax is provided for anaerobic digesters that are used primarily to treat livestock manure. The exemption covers construction, equipment, and installation costs.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$ 0	\$ 0
Local tax	\$ 0	\$ 0

**82.08.810 AIR POLLUTION CONTROL FACILITIES**  
**82.12.810**

Description: Construction of air pollution control facilities at a thermal electric generating facility which was placed in operation after 1969 and before July 1, 1997 is exempt from retail sales/use tax. The exemption is contingent upon production levels for the plant being maintained above the 20 percent annual capacity factor between 2002 and 2023. If production falls below this level, all or a portion of the tax previously exempted must be repaid.

Impact (\$000) : Due to confidentiality requirements, the impact of this exemption cannot be publicly stated because it is believed to affect fewer than three taxpayers.

**82.08.811 COAL USED AT THERMAL GENERATING PLANTS**  
**82.12.811**

Description: Purchases of coal used at a thermal electric generating facility placed in operation after 1969 and before July 1, 1997 are exempt from retail sales/use tax. The exemption is contingent upon owners of the plant demonstrating to the Dept. of Ecology that progress is being made to install the necessary air pollution control devices and that the facility has emitted no more than 10,000 tons of sulfur dioxide during the previous 12 months.

Impact (\$000) : Due to confidentiality requirements, the impact of this exemption cannot be publicly stated because it is believed to affect fewer than three taxpayers.

**TAX PREFERENCES WITH NEXUS TO PUBLIC HEALTH:**  
**RETAIL SALES/USE TAX - EXEMPTIONS**

**82.04.050(2a) HOSPITAL LAUNDRY SERVICE**

Description: Charges for laundry service for nonprofit health care facilities are excluded from the definition of retail sale. As a result, laundry businesses that provide services for nonprofit health care facilities do not collect sales tax but are subject to B&O tax under the service classification.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$ 1,241	\$ 1,310
Local tax	\$ 363	\$ 382

**82.08.02795 FREE PUBLIC HOSPITALS**

**82.12.02745**

Description: Retail sales/use tax does not apply to the purchase or use of tangible personal property by free hospitals when used in the operation of the hospital or the provision of health care services. The exemption requires that the hospital not charge its patients for health care services received.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$ 82	\$ 84
Local tax	\$ 20	\$ 21

**82.08.02805 BLOOD, BONE AND TISSUE BANKS**

**82.12.02747**

Description: Nonprofit blood, bone, and tissue banks are exempt from retail sales/use tax on purchases of medical supplies, chemicals, and materials. However, the exemption does not extend to construction materials, office equipment and supplies, or vehicles.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$ 109	\$ 113
Local tax	\$ 39	\$ 40



**TAX PREFERENCES WITH NEXUS TO PUBLIC HEALTH:**  
**RETAIL SALES/USE TAX - EXEMPTIONS**

**82.08.02806 HUMAN BODY PARTS**  
**82.12.02748**

Description: Sales of human blood, tissue, organs, bodies, or body parts are exempt from retail sales/use tax, when they are used for medical research or quality control testing.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$ 517	\$ 540
Local tax	\$ 151	\$ 158

**82.08.02807 PROCUREMENT OF HUMAN ORGANS**  
**82.12.02749**

Description: Exemption from retail sales/use tax is allowed for medical supplies, chemicals, or materials purchased by organ procurement organizations, as defined in federal law 42 U.S.C. Sec. 273(b).

Impact (\$000) : Due to confidentiality requirements, the impact of this exemption cannot be publicly stated because it is believed to affect fewer than three taxpayers.

**82.08.0281 PRESCRIPTION DRUGS**  
**82.12.0275**

Description: Prescription drugs for use by humans, including prescription lenses for eyeglasses and prescribed birth control, are exempt from retail sales/use tax, as long as the drugs are prescribed by a physician. The exemption is available for all levels of sales and distribution. It is not required that a hospital or physician make a specific charge to the patient for prescription drugs dispensed under a physician's order.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$244,958	\$255,785
Local tax	\$ 71,603	\$ 74,768

**TAX PREFERENCES WITH NEXUS TO PUBLIC HEALTH:**  
**RETAIL SALES/USE TAX - EXEMPTIONS**

**82.08.0283 MEDICAL DEVICES**  
**82.12.0277**

Description: Exemption from retail sales/use tax is provided for the following health-related products or devices: (1) insulin; (2) prosthetic or orthotic devices that are prescribed for individuals by a licensed physician, chiropractor or osteopath; (3) ostomic items; (4) medically prescribed oxygen; (5) hearing aids and the repair of hearing aids; (6) medicine of mineral, animal or botanical origin that is prescribed, administered, dispensed or used in the treatment of an individual by a naturopath; and (7) components of prosthetic, ostomic and dental devices.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$ 81,653	\$ 85,262
Local tax	\$ 23,868	\$ 24,923

**82.08.925 DIETARY SUPPLEMENTS**  
**82.12.925**

Description: Dietary supplements for human use, dispensed or to be dispensed to patients, are exempt from retail sales/use tax.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$ 2,449	\$ 2,559
Local tax	\$ 716	\$ 748

**82.08.935 DRUG DELIVERY SYSTEMS**  
**82.12.935**

Description: Disposable devices used to deliver drugs for human use are exempt from retail sales/use tax. This includes items such as syringes, tubing and catheters.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$ 29	\$ 31
Local tax	\$ 9	\$ 9

**TAX PREFERENCES WITH NEXUS TO PUBLIC HEALTH:**  
**RETAIL SALES/USE TAX - EXEMPTIONS**

**82.08.940 OVER-THE-COUNTER DRUGS THAT ARE PRESCRIBED**  
**82.12.940**

Description: Over-the-counter drugs for human use that are either prescribed directly for patients or are purchased by hospitals or other medical facilities to be prescribed to patients, are exempt from retail sales/use tax.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$ 8,410	\$ 8,782
Local tax	\$ 2,458	\$ 2,567

**82.08.945 KIDNEY DIALYSIS EQUIPMENT**  
**82.12.945**

Description: This statute specifically exempts kidney dialysis devices for human use from retail sales/use tax. The exemption includes repair and replacement parts for such equipment.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$ 8,410	\$ 8,782
Local tax	\$ 2,458	\$ 2,567

**82.08.0291 RECREATION & PHYSICAL FITNESS SERVICES**  
**82.12.02917**

Description: Exemption from retail sales/use tax is allowed for amusement, recreation and physical fitness services that are provided by nonprofit youth organizations and for physical fitness classes provided by a local government.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$ 4,096	\$ 4,219
Local tax	\$ 945	\$ 974

**TAX PREFERENCES WITH NEXUS TO PUBLIC HEALTH:**  
**RETAIL SALES/USE TAX - EXEMPTIONS**

**82.08.0293 FOOD PRODUCTS**  
**82.12.0293**

Description: Food products purchased for home consumption by humans are exempt from retail sales/use tax. Not included are items prepared by persons required to have a food-handler's license.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$750,228	\$783,388
Local tax	\$219,297	\$228,990

**82.08.0293 CANDY PRODUCTS**  
**82.12.0293**

Description: Candy and gum are exempt from retail sales/use tax. To conform to the Streamlined Sales and Use Tax Agreement, candy is defined as a preparation of sugar, honey, or other natural or artificial sweeteners in combination with chocolate, fruits, nuts, or other ingredients or flavorings in the form of bars, drops, or pieces, and would exclude preparations containing flour or requiring refrigeration.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$ 14,400	\$18,200
Local tax	\$ 4,400	\$ 5,600

**82.08.880 MEDICAL SUPPLIES PURCHASED BY CANCER CENTERS**  
**82.12.880**

Description: A sales/use tax exemption is provided for purchases of medical supplies, chemicals or materials that are used for research purposes at a comprehensive cancer center. The sales/use tax exemption does not extend to construction, office or building equipment, administrative supplies or vehicles.

Impact (\$000) :	Due to confidentiality requirements, the impact of this exemption cannot be publicly stated because it is believed to affect fewer than three taxpayers.
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**TAX PREFERENCES WITH NEXUS TO PUBLIC HEALTH:**  
**OTHER TAXES – DEDUCTIONS AND EXEMPTIONS**

**82.16.050(11) DISPOSAL OF SEWERAGE (PUBLIC UTILITY TAX)**

Description: A deduction from gross operating income subject to public utility tax is allowed for amounts paid to other firms for the treatment or disposal of sewerage. Public utility tax applies only to the actual collection of sewerage, not processing (these activities are subject to B&O tax). If the firm that collects the sewerage contracts with other firms for treatment and disposal services, the amounts paid to these firms are deductible.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$ 4,440	\$ 4,587
Local tax	\$ 0	\$ 0

**48.14.0201(6b) DENTISTRY (INSURANCE PREMIUMS TAX)**

Description: Health care service contractors (HCSCs) are exempt from insurance premiums tax on amounts received from dental plans.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$ 11,723	\$ 12,543
Local tax	\$ 0	\$ 0

**82.19.050(4) FOOD & BEVERAGES ON-PREMISES (LITTER TAX)**

Description: Sales of food and drink are exempt from litter tax for restaurants and other eating and drinking establishments. To qualify for the exemption, the food and beverages must be sold for immediate consumption either indoors or outdoors at a seller's place of business or for immediate consumption indoors in an eating area that is contiguous to the seller's place of business.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$ 456	\$ 472
Local tax	\$ 0	\$ 0

**82.19.050(5) CATERERS (LITTER TAX)**

Description: Sales of food or drinks are exempt from the litter tax if the items are sold by a caterer, served in containers that are designed to be used more than one time, and served on premises that are occupied or controlled by the customer.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$ 18	\$ 22
Local tax	\$ 0	\$ 0

**TAX PREFERENCES WITH NEXUS TO PUBLIC HEALTH:**  
**OTHER TAXES – DEDUCTIONS AND EXEMPTIONS**

**66.24.290(3, b) BEER TAX EXEMPTION; 1st 60,000 BARRELS**

Description: Microbreweries are exempt from the \$4.78 per barrel portion of the beer excise tax which is earmarked for health service on the first 60,000 barrels of beer produced each year. However, an additional tax of \$1.48 levied in 1997 applies only to the first 60,000 barrels they produce, thereby reducing the effective exemption to \$3.30 per barrel. Microbreweries remain fully subject to the remainder of the excise tax rates.

Impact (\$000) :	FY 2006	FY 2007
State tax	\$ 1,258	\$ 1,270
Local tax	\$ 0	\$ 0