

SALES TAXES

RETAIL SALES/USE TAX - HEALTH-RELATED PURCHASES

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.

Purpose: To indirectly reduce the cost of health care.

Category/Year Enacted: Nonprofit - health and social welfare. 1973; originally limited to an association of nonprofit hospitals, expanded in 1998 to laundry charges for any nonprofit health care facility.

Primary Beneficiaries: Nonprofit health care facilities that contract for laundry services.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 1,115	\$ 1,177	\$ 1,241	\$ 1,310
Local taxes	\$ 326	\$ 344	\$ 363	\$ 382

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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.

Purpose: To reduce the cost of health services provided by hospitals that do not charge their patients.

Category/Year Enacted: Other. 1993

Primary Beneficiaries: One such hospital operates in Washington.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 77	\$ 79	\$ 82	\$ 84
Local taxes	\$ 19	\$ 20	\$ 20	\$ 21

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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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.

Purpose: To support the activities of these entities.

Category/Year Enacted: Nonprofit - health or social welfare. 1995

Primary Beneficiaries: Three such organizations operate in Washington.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 299	\$ 308	\$ 318	\$ 327
Local taxes	\$ 88	\$ 90	\$ 93	\$ 96

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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.

Purpose: To support medical research in Washington.

Category/Year Enacted: Other. 1996

Primary Beneficiaries: Medical research organizations.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 463	\$ 496	\$ 517	\$ 540
Local taxes	\$ 135	\$ 145	\$ 151	\$ 158

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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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).

Purpose: To support the activities of these organizations by allowing the same treatment provided for blood, bone and tissue banks.

Category/Year Enacted: Nonprofit - health or social welfare. 2002

Primary Beneficiaries: It is believed that two entities qualify for the exemption.

Possible Program Inconsistency: None evident.

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

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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.

Purpose: To reduce the cost of health care.

Category/Year Enacted: Individuals. 1974; birth control added in 1993.

Primary Beneficiaries: Patients, physicians and hospitals who purchase prescription drugs.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$219,011	\$234,780	\$244,958	\$255,785
Local taxes	\$ 64,019	\$ 68,628	\$ 71,603	\$ 74,768

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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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.

Purpose: To lessen the cost of medical care.

Category/Year Enacted: Individuals. 1975; hearing aids added in 1986; repair of hearing aids added in 1997 and components of prosthetic, ostomic and dental devices added in 1998.

Primary Beneficiaries: Individuals who have medical problems requiring the use of these devices.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 73,004	\$ 78,260	\$ 81,653	\$ 85,262
Local taxes	\$ 21,340	\$ 22,876	\$ 23,868	\$ 24,923

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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.

Purpose: This exemption was enacted to bring Washington sales tax law into conformity with the Streamlined Sales Tax Agreement. The Agreement provides universal definitions for sales/use tax purposes across states and simplifies tax compliance for multi-state retailers.

Category/Year Enacted: Individuals. 2003

Primary Beneficiaries: Persons who take dietary supplements.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 2,242	\$ 2,343	\$ 2,449	\$ 2,559
Local taxes	\$ 655	\$ 685	\$ 716	\$ 748

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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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.

Purpose: This exemption was enacted to bring Washington sales tax law into conformity with the Streamlined Sales Tax Agreement. The Agreement provides universal definitions for sales/use tax purposes across states and simplifies tax compliance for multi-state retailers.

Category/Year Enacted: Individuals. 2003

Primary Beneficiaries: Hospitals, physicians, and patients.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 27	\$ 28	\$ 29	\$ 31
Local taxes	\$ 8	\$ 8	\$ 9	\$ 9

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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.

Purpose: This exemption was enacted to bring Washington sales tax law into conformity with the Streamlined Sales Tax Agreement. The Agreement provides universal definitions for sales/use tax purposes across states and simplifies tax compliance for multi-state retailers.

Category/Year Enacted: Individuals. 2003

Primary Beneficiaries: Hospitals, physicians and patients.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 7,732	\$ 8,060	\$ 8,410	\$ 8,782
Local taxes	\$ 2,260	\$ 2,356	\$ 2,458	\$ 2,567

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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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. (NOTE: kidney dialysis equipment was previously exempt from Washington sales/use tax. However, the wording of this new statute was necessary to conform to the Streamlined Sales Tax definitions.)

Purpose: This exemption was enacted to bring Washington sales tax law into conformity with the Streamlined Sales Tax Agreement. The Agreement provides universal definitions for sales/use tax purposes across states and simplifies tax compliance for multi-state retailers.

Category/Year Enacted: Other business. 2003

Primary Beneficiaries: Hospitals and clinics that purchase such equipment and ultimately the patients who use them.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None; this statute is necessary for definitional purposes only.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.