

Finance Committee

HB 1979

Brief Description: *Clarifying tax exemptions for sale or use of dental devices.*

Sponsors: *Representatives Reardon and Van Luven.*

Brief Summary of Bill

- *The exemption from retail sales and use taxes on medical devices is extended to dental diagnostic items and to orthotic purchases under prescriptions made by licensed podiatrists.*

Hearing Date: *2/21/01*

Staff: *Mark Matteson (786-7145).*

Background:

The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. The tax base includes goods and certain services purchased at retail. The tax is levied at a 6.5 percent rate by the state. Cities and counties may levy a local tax at a rate up to a maximum of 3.1 percent; currently, local rates levied range from 0.5 percent to 2.3 percent. Sales tax is paid by the purchaser and collected by the seller.

The use tax is imposed on items used in the state which were not subject to the retail sales tax, and includes purchases made in other states and purchases from sellers who do not collect Washington sales tax. The state and local rates are the same as those imposed under the retail sales tax. Use tax is paid directly to the Department of Revenue.

An exemption from retail sales and use taxes is provided for sales of certain medical devices. In 1998, when the Legislature changed the business and occupation classification for dental laboratories to manufacturing, the list of medical devices exempt from sales and use taxes was expanded to include dental laboratory products, including dental appliances, devices, restorations, and substitutes. Prior to 1998, dental laboratory products were not subject to retail sales and use taxes because dental laboratory services (and by extension,

associated products) were classified as service under the B&O tax. Diagnostic items, including impressions and molds, are subject to the retail sales and use taxes.

A sale of an orthotic device, or foot support, is exempt from state and local retail sales and use taxes, if the device is prescribed by a person licensed under the applicable state statute for chiropractors, osteopaths, or physicians. Sales of orthotic devices prescribed by podiatrists licensed under state statute are subject to the state and local retail sales and use taxes.

Summary of Bill:

Dental diagnostic items, including associated impressions and molds, are exempt from state and local retail sales and use taxes.

Orthotic devices prescribed by podiatrists licensed under state statute are exempt from state and local retail sales and use taxes.

Appropriation: *None.*

Fiscal Note: *Requested on February 12, 2001.*

Effective Date: *The bill takes effect upon signature by the Governor.*