

Health & Human Services
Appropriations Committee

HB 2377

Brief Description: Funding health care and the working families' tax rebate with a voter-approved temporary sales tax increase.

Sponsors: Representatives Pettigrew, Dickerson, Darneille, Williams and Hunt.

Brief Summary of Bill

- Increases the sales and use taxes by 0.3 percent from January 1, 2010 through December 31, 2012.
- Establishes and makes appropriations from the Health Care Trust Account to fund the Basic Health Plan, public health services, health care, mental health care, hospitals, and long-term care nursing homes.
- Makes appropriations to fund the Working Families' Tax Exemption.
- Refers the sales and use tax provisions to voters.

Hearing Date: 4/17/09

Staff: Chris Blake (786-7392)

Background:

Sales and Use Tax

The sales and use tax is imposed on the retail sales of most items of tangible personal property and some services. The use tax is imposed on the privilege of using tangible personal property or services in instances where the sales tax does not apply. Sales and use taxes are levied by the state and local governments. Total rates range from 7 percent to 9.5 percent. Changes to the rates may not be imposed sooner than 75 days before the change is enacted into law and only on the first of January, April, July, or October.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Sales taxes are collected by the seller from the buyer at the time of sale. Use tax is remitted directly to the Department of Revenue (DOR). State sales and use tax revenues are deposited in the State General Fund.

Working Families' Tax Exemption

In the 2008 session, the Working Families' Tax Exemption (WFTE) was created. The WFTE functions as a remittance to individuals who have paid the Washington State sales and use taxes, resided in Washington for more than 180 days, filed a federal income tax return as a Washington resident, received a federal Earned Income Tax Credit (EITC), and applied to the Department of Revenue. Remittances applied for in 2010 equal the greater of \$25 or 5 percent of the person's EITC. In 2011, the amounts rise to the greater of \$50 or 10 percent of the person's EITC. The WFTE does not begin until it is approved in the state's Omnibus Appropriations Act. This has not yet occurred.

Health Services

The state purchases health care for individuals through numerous programs with public and private entities. The Department of Social and Health Services contracts with health care providers and facilities to provide health-related services to eligible individuals. These services include acute care services, long-term care services, and mental health services. The Health Care Authority administers the Basic Health Plan which provides subsidized health care to low-income individuals. Local health jurisdictions receive state funds from both the Department of Health and the Department of Community, Trade and Economic Development to conduct public health activities locally.

Summary of Bill:

Sales and Use Tax Increases

Beginning January 1, 2010, the retail sales tax is temporarily increased by 0.3 percent. Of the additional revenue collected, 21.6 percent shall be deposited into the General Fund to fund the Working Families' Tax Exemption and the remaining 78.4 percent shall be deposited in the Health Care Trust Account (Account). The use tax is increased by the same amount and is to be distributed in the same proportions.

The increases in both the sales tax and the use tax are discontinued as of January 1, 2013. The expiration date for the sales tax may not be repealed or extended unless there is a two thirds vote of both houses of the Legislature or a vote of the people. The prohibition on a sales and use tax being imposed sooner than 75 days after its enactment and only on the first of January, April, August, or October does not apply to the temporary sales tax increase.

Health Care Trust Account

The Health Care Trust Account (HCTA) is created. The HCTA is an appropriated account to be funded through a temporary increase in the retail sales tax. The Legislature may appropriate money from the HCTA to fund the Basic Health Plan, public health services, health care, mental health care, hospitals, and long-term care nursing homes. The HCTA expires on January 1, 2013.

Appropriation of the Sales and Use Tax Increases

Appropriations are made to fund several activities:

- \$32 million for the second half of fiscal year 2010 and \$73 million for fiscal year 2011 are appropriated from the State General Fund to the Department of Revenue to implement the Working Families' Tax Exemption from January 2010 through December 2011.
- \$167,352,000 is appropriated from the HCTA to the Health Care Authority to increase enrollment in the Basic Health Plan.
- \$77,250,000 is appropriated from the HCTA to the Aging and Disability Services Administration at the Department of Social and Health Services for long-term care, including in-home care, adult day health care, and nursing homes.
- \$75,000,000 is appropriated from the HCTA to the Medical Assistance program at the Department of Social and Health Services for hospital payments.
- \$13,350,000 is appropriated from the HCTA to the Medical Assistance program at the Department of Social and Health Services for reimbursing health care providers who provide care to children.
- \$19,200,000 is appropriated from the HCTA to the Medical Assistance program at the Department of Social and Health Services to provide health care through managed care systems.
- \$24,214,000 is appropriated from the HCTA to the Mental Health Division at the Department of Social and Health Services for providing community mental health services.
- \$3,000,000 is appropriated from the HCTA to the Department of Health to distribute to local health jurisdictions to spend on core public health functions.

Referendum

The sales and use tax portions of the bill are to be referred to the voters at the next general election. If the sales and use tax increases are not approved, then the entire bill, including the appropriations, are null and void.

Appropriation: See above.

Fiscal Note: Requested on April 15, 2009.

Effective Date: The bill takes effect upon approval of the voters sections 1 through 7, relating to the sales and use taxes, by December 15, 2009.