

HB 2004

Bill Analysis

March 4, 1997

Brief Description: Exempting home medical equipment and vehicle modifications for disabled persons from sales and use tax.

Bill Sponsors: Representatives Kastama, Pennington, Van Luven, Boldt, Conway, Wolfe, Lantz, Butler, Cody, Mason, Blalock, Grant, Cooke, Hatfield, Dickerson, Kessler, Keiser, Tokuda and Anderson.

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Background: The sales tax is imposed on retail sales of most items of tangible personal property and some services. The state tax rate is 6.5 percent and is applied to the selling price of the article or service. In addition, local sales taxes apply. The total tax rate is between 7 percent and 8.6 percent, depending on location. Sales tax applies when items are purchased at retail in state. Sales tax is paid by the purchaser and collected by the seller.

Use tax is imposed on the use of an item in this state, when the acquisition of the item has not been subject to sales tax. Use tax applies to items purchased from sellers who do not collect sales tax, items acquired from out-of-state, and items produced by the person using the item. Use tax is equal to the sales tax rate multiplied by the value of the property used. Use tax is paid directly to the department of revenue.

Major items exempt from sales and use tax include food for human consumption, motor vehicle fuel, utility services, professional services (e.g., medical, legal), certain business services (e.g. accounting, engineering), and items that become a component part of another product for sale. Examples of family consumer expenditures that are medically-related and exempt from sales and use tax include:

- prescription drugs;
- insulin;
- orthotic or prosthetic devices (e.g. suture, pacemakers or kidney dialysis machines);
- birth control medications; or
- hearing instruments.

Home medical equipment such as wheelchairs, bathroom aids, crutches, or lifting chairs, however, are subject to sales and use tax.

Sales tax applies not only to purchases of tangible personal property but also to charges for labor and services to install, repair, clean, alter, imprint, or improve such property. If a motor vehicle is modified to enable a person of disability to drive or ride in the vehicle, sales and use tax applies to any parts purchased for the modifications. Sales tax also applies to any labor and service charges incurred in modifying the vehicle.

Summary of Bill: Sales of home medical equipment to an individual for personal use by the individual or a member of his or her family are exempt from sales and use taxes. Home medical equipment means equipment that can withstand repeated use and would not be useful to a person in the absence of illness or injury. Home medical equipment encompasses items such as wheelchairs or walking aids but excludes items such as weight lifting equipment which would also be useful to persons who have no medical condition.

New sales and use tax exemptions are also created for modifications to motor vehicles, if the modifications enable a person of disability to either drive or ride as a passenger in the vehicle. To qualify for the exemptions, modifications must be made to a vehicle registered to a person entitled to special disabled parking privileges or to a member of his or her immediate family. Any labor or service charges incurred in modifying the vehicle are also exempt from sales tax.

Fiscal Note: Available.

Effective Date: If enacted, the bill takes effect on October 1, 1997.