
Ways & Means Committee

HB 2087

Brief Description: Funding mental health services by repealing the nonresident sales tax exemption.

Sponsors: Representatives Dickerson, Kenney, Darneille, Goodman, Santos, Pettigrew, Dunshee, Ormsby, Lias, Rolfes, Hudgins, Kagi, Roberts, Upthegrove, Fitzgibbon, Finn, Seaquist, Ryu, Eddy, Orwall, Stanford, Jinkins, Haigh, Kirby, Appleton, Ladenburg, Green, Lytton, Tharinger, Springer, Billig, Sullivan, Cody, Pedersen, Frockt, Carlyle, Sells, Hunt, Morris, McCoy, Maxwell, Reykdal, Moscoso and Van De Wege.

Brief Summary of Bill

- Provides additional funding for mental health services by repealing the nonresident sales tax exemption.

Hearing Date: 4/21/11

Staff: Jeffrey Mitchell (786-7139).

Background:

Retail sales and use taxes are imposed by the state, cities, and counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the property, digital products, or services were acquired by the user, then use taxes apply to the value of most tangible personal property, digital products, and some services when used in this state.

A sales tax exemption is allowed to residents of a state, possession, or Canadian province that does not impose a retail sales tax or use tax of 3 percent or more on purchases of goods for use outside the state. The exemption does not apply to items or services consumed in the state such as hotel stays or meals at restaurants. Retailers are not required to make tax exempt sales to

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qualifying nonresidents. A vendor may choose to collect sales tax on purchases made by qualifying nonresidents or to sell merchandise tax free.

The public mental health system in Washington spends over \$1.5 billion per biennium in state and federal funds and serves approximately 130,000 people per year. The system is primarily administered by the Division of Behavioral Health and Recovery (DBHR) of the Department of Social and Health Services (DSHS). The DBHR contracts with 13 Regional Support Networks (RSNs) for the provision of a comprehensive array of community-based mental health services for children and adults. The continuum of care includes community inpatient, residential, outpatient, and recovery services such as peer support. The RSNs administer mental health services for individuals who qualify for services through contracts with private and public providers of community mental health services. Clients of the DSHS who do not meet criteria for services through RSNs may receive a more limited level of services through their medical health plans or health providers. The DBHR also directly operates two state mental hospitals for adults and one for children.

There are two types of referenda: the referendum bill and the referendum measure. The primary purpose of both is to give voters an opportunity to approve or reject laws either proposed or enacted by the Legislature. Referendum measures are laws recently passed by the Legislature that are placed on the ballot because of petitions signed by voters. Referendum bills are proposed laws referred to the electorate by the Legislature.

Summary of Bill:

A referendum bill is submitted to the voters voting in the 2011 general election. The referendum bill would make the following changes:

1. The nonresident sales tax exemption is repealed.
2. Beginning in 2012, and every year thereafter, the Department of Revenue must estimate the increase in state revenue resulting from the repeal of the nonresident sales tax exemption. Based on this estimate, the State Treasurer is required to transfer, on an annual basis, the estimated amount from the State General Fund to a new mental health services account (account). Money in the account may only be used for the provision of mental health services. "Mental health services" are defined to mean all services provided by regional support networks and other services provided by the state for persons who are mentally ill.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 30 days after the November general election if the bill is approved by the voters.