

SENATE BILL REPORT

SHB 1624

As Reported By Senate Committee On:
Ways & Means, June 7, 2001

Title: An act relating to the business and occupation tax deduction for health or social welfare services as applied to government-funded health benefits paid through managed care organizations.

Brief Description: Clarifying the taxation of amounts received by public entities for health or welfare services.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Morris (co-prime sponsor), Cairnes (co-prime sponsor), Reardon, Conway, Dunshee, Ogden, Pennington, Van Luven, Doumit, Veloria, Dickerson, Fromhold, Anderson and Edwards).

Brief History:

Committee Activity: Ways & Means: 5/22/01, 6/7/01 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Constantine, Vice Chair; Fairley, Vice Chair; Fraser, Hewitt, Honeyford, Long, Parlette, Rasmussen, Regala, Roach, Rossi, Sheahan, B. Sheldon, Snyder, Spanel, Thibaudeau, Winsley and Zarelli.

Staff: David Schumacher (786-7474)

Background: Washington's major business tax is the business and occupation (B&O) tax. This tax is imposed on the gross receipts of business activities conducted within the state. Nonprofit organizations pay B&O tax unless specifically exempted by statute. Exemption from federal income tax does not automatically provide exemption from state taxes.

Specific B&O exemptions, covering all or most income, exist for several types of nonprofit organizations. The eligibility conditions vary for each exemption. The exemptions include: nonprofit agricultural fairs, nonprofit church day care, bazaars and rummage sales, fund-raising auctions, nonprofit student loan agencies, nonprofit consumer debt counseling organizations, nonprofit fraternal organization for premiums for death benefits, the Red Cross, sheltered workshops, youth organizations for membership fees and certain service fees, trade shows, kidney dialysis facilities, health or social welfare organizations, nonprofit artistic and cultural organizations, and public safety standards and testing organizations.

However, the B&O tax deduction for nonprofit organizations or local government jurisdictions for the support of health or social welfare programs is provided only for payments made directly by federal, state, or local governments.

Summary of Bill: Nonprofit hospitals, health and public hospitals are exempt from B&O tax on payments received from organizations under contract with the federal or state government to manage health benefits for Medicare, medical assistance, children's health, or the Basic Health Plan.

The exemption applies to taxes collected after the effective date of the bill, including amounts from reporting periods before the effective date of the bill.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: Many of these hospitals have not had to pay this tax in the past. This bill prevents a tax increase from occurring.

Testimony Against: None.

Testified: Len McComb, Jim Rowson, Harrison Hospital (pro).