July 1, 2008

TO: Tom Hoemann, Secretary
    Washington State Senate

    Barbara Baker, Chief Clerk
    Washington State House of Representatives

FROM: Cindi L. Holmstrom, Director

SUBJECT: REPORT ON TAX CREDIT FOR PATIENT-HANDLING DEVICES

This report is submitted to the Legislature pursuant to RCW 82.04.4485(7). It contains a brief summary of the activity to date for the B&O tax credit for purchases of safe patient-handling devices by hospitals. This incentive was adopted by the Legislature in 2006. It is intended to encourage hospitals to acquire mechanical lifting devices to improve safety, for both patients and hospital staff, relating to transporting patients within their facilities.

The credit has been in effect for just over two years. So far, over one-half of the eligible hospitals have utilized the credit, and the total amount of B&O tax credits taken is nearly $4 million. The program will expire in two and one-half more years, and eligible devices must be purchased by the end of Calendar Year 2010. However, tax credits may be carried over to future reporting periods until fully utilized.

The report was prepared by our Research Division under the direction of Mary Welsh, Assistant Director. If you have questions about this program, please contact Mary at (360) 570-6076.

cc: Governor Christine Gregoire
    Ross Hunter, Chair, House Finance Committee
    Margarita Prentice, Chair, Senate Ways and Means Committee
    Victor Moore, Director, OFM
Background

In the 2006 session, the Legislature adopted ESHB 1672 which required hospitals to acquire a minimum number of safe patient handling devices by January 30, 2010. The bill was intended to address safety concerns for patients who are lifted manually and to reduce back injuries among those in the nursing profession.

The legislation provided a B&O tax credit for amounts spent between June 7, 2006, and December 30, 2010, on mechanical lifting devices or other equipment used to minimize patient handling. Each hospital is limited to a lifetime credit of $1,000 per acute care available inpatient bed. The maximum is based on available beds and not on licensed beds. A credit earned during one calendar year may be carried over to be credited against taxes incurred in a subsequent calendar year. The statewide credit is limited to $10 million. The Department of Revenue must notify hospitals and disallow credits that exceed the statewide limit.

There are currently 93 eligible hospitals in Washington, including public hospital districts, private not-for-profit hospitals, private for-profit hospitals, and three state hospitals for the care of the mentally ill. The majority of the hospitals are public hospital districts and private not-for-profit hospitals. Hospitals report the number of acute care beds to the Department of Health in their annual year end financial reports. Currently, there are a total of 14,085 acute care available inpatient beds.

The Department of Revenue is required to issue an annual report on July 1 each year on the amount of credits claimed by hospitals.

Credits Taken by Hospitals

Hospitals have taken nearly $4 million in credit in the two years since the effective date of the legislation. So far 53 hospitals--over half of the eligible hospitals--have taken the credit. Twelve
hospital locations have met their individual caps of $1,000 per acute care available inpatient bed; two of these met their cap a second time after having increased their number of acute care beds.

Hospitals taking the credit reported a total of 6,727 acute care beds. At $1,000 credit each, this calculates to $6.7 million in eligible credit. To date, hospitals have taken 60 percent of the reported eligible credit per bed. (See table below.)

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Number of Hospitals</th>
<th>Total Acute Care Beds</th>
<th>Eligible Credit</th>
<th>Credit Taken</th>
<th>% Eligible Credit Taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>11</td>
<td>1,025</td>
<td>$1,025,000</td>
<td>$ 423,921</td>
<td>41.4%</td>
</tr>
<tr>
<td>2007</td>
<td>41</td>
<td>5,342</td>
<td>5,342,000</td>
<td>2,932,446</td>
<td>54.9%</td>
</tr>
<tr>
<td>2008*</td>
<td>21</td>
<td>1,836</td>
<td>1,836,000</td>
<td>17,275</td>
<td>33.6%</td>
</tr>
<tr>
<td>Total (net)</td>
<td>53</td>
<td>6,727 (net)</td>
<td>$6,727,000</td>
<td>$3,973,643</td>
<td>59.1%</td>
</tr>
</tbody>
</table>

*Year to date May 2008