
SENATE BILL 6607

State of Washington

53rd Legislature

1994 Regular Session

By Senators Rinehart and Gaspard

Read first time 02/28/94. Referred to Committee on Ways & Means.

1 AN ACT Relating to correcting an error in the 1993 health care
2 reform act; amending RCW 82.04.431; creating new sections; providing an
3 effective date; and declaring an emergency.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** The 1993 health care reform act, chapter
6 492, Laws of 1993, established a business and occupation tax on
7 nonprofit and public hospitals to finance, in part, health care
8 coverage for the citizens of the state. However, by inadvertent error,
9 the health care reform act failed to address an existing deduction from
10 the business and occupation tax for governmental payments to nonprofit
11 organizations for health and social welfare services, such as federal
12 medicaid and medicare payments. Failure to correct this error will
13 result in revenues significantly less than those assumed by the
14 legislature in adopting the health care reform act and making
15 appropriations from the health services account. It is therefore the
16 intent of this act to clarify that revenues received by nonprofit and
17 public hospitals from governmental entities for health and social
18 services are subject to the business and occupation tax as intended by
19 chapter 492, Laws of 1993.

1 **Sec. 2.** RCW 82.04.431 and 1986 c 261 s 6 are each amended to read
2 as follows:

3 (1) For the purposes of RCW 82.04.4297, the term "health or social
4 welfare organization" means an organization, including any community
5 action council, which renders health or social welfare services as
6 defined in subsection (2) of this section, which is a not-for-profit
7 corporation under chapter 24.03 RCW and which is managed by a governing
8 board of not less than eight individuals none of whom is a paid
9 employee of the organization or which is a corporation sole under
10 chapter 24.12 RCW. Health or social welfare organization does not
11 include a corporation providing professional services as authorized in
12 chapter 18.100 RCW, nor does it include any person engaging within this
13 state in business as a hospital, as defined in chapter 70.41 RCW, that
14 is operated as a nonprofit corporation or by the state or any of its
15 political subdivisions. In addition a corporation in order to be
16 exempt under RCW 82.04.4297 shall satisfy the following conditions:

17 (a) No part of its income may be paid directly or indirectly to its
18 members, stockholders, officers, directors, or trustees except in the
19 form of services rendered by the corporation in accordance with its
20 purposes and bylaws;

21 (b) Salary or compensation paid to its officers and executives must
22 be only for actual services rendered, and at levels comparable to the
23 salary or compensation of like positions within the public service of
24 the state;

25 (c) Assets of the corporation must be irrevocably dedicated to the
26 activities for which the exemption is granted and, on the liquidation,
27 dissolution, or abandonment by the corporation, may not inure directly
28 or indirectly to the benefit of any member or individual except a
29 nonprofit organization, association, or corporation which also would be
30 entitled to the exemption;

31 (d) The corporation must be duly licensed or certified where
32 licensing or certification is required by law or regulation;

33 (e) The amounts received qualifying for exemption must be used for
34 the activities for which the exemption is granted;

35 (f) Services must be available regardless of race, color, national
36 origin, or ancestry; and

37 (g) The director of revenue shall have access to its books in order
38 to determine whether the corporation is exempt from taxes within the
39 intent of RCW 82.04.4297 and this section.

1 (2) The term "health or social welfare services" includes and is
2 limited to:

3 (a) Mental health, drug, or alcoholism counseling or treatment;

4 (b) Family counseling;

5 (c) Health care services;

6 (d) Therapeutic, diagnostic, rehabilitative, or restorative
7 services for the care of the sick, aged, or physically,
8 developmentally, or emotionally-disabled individuals;

9 (e) Activities which are for the purpose of preventing or
10 ameliorating juvenile delinquency or child abuse, including
11 recreational activities for those purposes;

12 (f) Care of orphans or foster children;

13 (g) Day care of children;

14 (h) Employment development, training, and placement;

15 (i) Legal services to the indigent;

16 (j) Weatherization assistance or minor home repair for low-income
17 homeowners or renters;

18 (k) Assistance to low-income homeowners and renters to offset the
19 cost of home heating energy, through direct benefits to eligible
20 households or to fuel vendors on behalf of eligible households; and

21 (l) Community services to low-income individuals, families, and
22 groups, which are designed to have a measurable and potentially major
23 impact on causes of poverty in communities of the state.

24 NEW SECTION. **Sec. 3.** If this act is not implemented on April 1,
25 1994, the appropriations from the health services account for the 1993-
26 1995 fiscal biennium, as provided in chapter 24, Laws of 1993 sp.
27 sess., as amended, shall be reduced in the manner provided in this
28 section. The following are the maximum amounts that may be expended in
29 the 1993-1995 fiscal biennium from the health services account for the
30 specified programs:

31 Washington state health care authority	\$ 122,092,000
32 Department of social and health services	\$ 58,348,000
33 Health services commission	\$ 3,580,000
34 Office of financial management	\$ 224,000
35 Office of the attorney general	\$ 156,000
36 Department of health	\$ 29,133,000
37 Legislative budget committee	\$ 505,000

1	Office of the administrator for the courts	\$	105,000
2	Higher education coordinating board	\$	1,994,000
3	University of Washington	\$	5,185,000
4	Washington State University	\$	1,252,000
5	Eastern Washington University	\$	179,000
6	Central Washington University	\$	125,000
7	Western Washington University	\$	179,000

8 NEW SECTION. **Sec. 4.** This act is necessary for the immediate
9 preservation of the public peace, health, or safety, or support of the
10 state government and its existing public institutions, and shall take
11 effect April 1, 1994.

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