

# SSB 6077

## Bill Analysis

February 19, 1998

**Brief Description:** Exempting from business and occupation tax nonprofit hospice agencies.

**Bill Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators McCaslin and Snyder.

**Staff:** Linda Brooks, 786-7153.

**Background:** Washington's major business tax is the business and occupation (B&O) tax. In 1997 the Legislature eliminated the distinction between financial services, selected business services, and other services and consolidated these activities into a single tax rate. These changes will take place July 1, 1998. After July the principal B&O tax rates will be:

Manufacturing, wholesaling, & extracting	0.484 percent
Retailing	0.471 percent
Services	1.5 percent

The B&O tax is imposed on the gross receipts of business activities conducted within the state without any deduction for the costs of doing business.

Hospice agencies are public or private agencies or organizations that provide care on an interdisciplinary basis for terminally ill persons. An interdisciplinary hospice care team includes persons trained in the following services: nursing, social work, physician, pastoral or spiritual counseling. The hospice agency may provide this interdisciplinary care either directly or through a contractual arrangement. The situs for providing the care may be either a temporary or permanent residence.

Nonprofit health and social welfare agencies are allowed a deduction from the B&O tax for payments received from governmental entities for health services. This has been construed to apply to Medicaid and Medicare payments. Therefore, amounts received as compensation for care provided to non-Medicaid or non-Medicare patients are subject to tax. Nonprofit hospice agencies qualify as nonprofit health and social welfare agencies.

After deducting any amounts received as Medicaid or Medicaid payments, hospice agencies pay the service B&O tax of 1.5 percent on their remaining gross receipts.

The following organizations are exempt from paying B&O taxes on amounts received as compensation for patient services or as proceeds from the sale of prescription drugs furnished to patients:

- Nonprofit kidney dialysis facilities;
- Nursing homes; or
- Homes for unwed mothers operated as religious or charitable organizations.

**Summary of Bill:** Nonprofit hospice agencies licensed by the Department of Health are exempted from paying B&O tax on any amounts received as compensation for patient services or as proceeds from the sale of prescription drugs furnished to patients.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.