

# HOUSE BILL REPORT

## HB 2611

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### As Reported By House Committee On:

Finance

**Title:** An act relating to a tax exemption for persons under contract for services for developmentally disabled persons.

**Brief Description:** Providing a tax exemption for certain persons providing services for developmentally disabled persons.

**Sponsors:** Representatives Dickerson, Buck, Dunshee, Cairnes, Reardon, Conway, Cox, Tokuda, Thomas, Talcott, McDonald, McIntire, Kessler, Campbell, Kenney, Haigh, O'Brien, Dunn and Anderson.

### Brief History:

#### Committee Activity:

Finance: 2/28/00 [DP].

#### Brief Summary of Bill

- Business and occupation tax exemption is created for the provision of non-facility based residential services to persons with developmental disabilities.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 11 members: Representatives Dunshee, Democratic Co-Chair; Thomas, Republican Co-Chair; Cairnes, Republican Vice Chair; Reardon, Democratic Vice Chair; Carrell; Conway; Cox; Dickerson; Pennington; Santos and Van Luven.

**Staff:** Linda Brooks (786-7153).

### 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. Deductions for the costs of doing business are not allowed. The three principal rates are:

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

The activity of providing non-facility based residential services to persons with developmental disabilities is taxed at the 1.5 percent services B&O rate. However, a B&O tax deduction is provided for grants given by federal, state, or local governments to nonprofit organizations or local government jurisdictions for the support of health or social welfare programs. As a result, only for-profit businesses are subject to B&O tax on amounts received from the Department of Health and Social Services for the purpose of providing non-facility based residential services to persons with developmental disabilities.

The phrase "non-facility based residential services" refers to programs wherein services are provided to a person in his or her own home.

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**Summary of Bill:**

All businesses are exempt from paying B&O tax on any amounts received from the Department of Health and Social Services for the purpose of providing non-facility based residential services to persons with developmental disabilities.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on July 1, 2000.

**Testimony For:** Private non-profit organizations receive this (B&O) tax exemption. For-profit providers of these social services should also receive the exemption. In 1995, a Senate bill was passed into law with good intentions that made it easier (provided a B&O tax exemption) for adult family homes to provide services to developmentally disabled persons. Unfortunately, that bill referred to "licensed" programs, causing the Department of Revenue to conclude that it was not the intent of the Legislature to exempt services that are provided by certified, rather than licensed, providers of these social services. The Department of Social and Health Services (DSHS) has a policy of licensing adult family homes, but the DSHS does not license services that are provided in a developmentally disabled person's own home. Instead, the DSHS certifies services that are provided in a person's own home. This bill would solve the tax problem by exempting providers of certified services from the B&O tax.

**Testimony Against:** None.

**Testified:** Representative Dickerson, prime sponsor; and Dave Wood, ITS Providers.