

FINAL BILL REPORT

SHB 1624

PARTIAL VETO

C 23 L 01 E 2

Synopsis as Enacted

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, Cairnes, Reardon, Conway, Dunshee, Ogden, Pennington, Van Luven, Doumit, Veloria, Dickerson, Fromhold, Anderson and Edwards).

House Committee on Finance
Senate Committee on Ways & Means

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 and deductions, covering all or most income, exist for several types of nonprofit organizations. The eligibility conditions vary for each exemption. 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:

Nonprofit hospitals and public hospitals are exempt from B&O tax on payments they receive 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 act's effective date, including amounts from reporting periods before the act's effective date.

Votes on Final Passage:

First Special Session
House 93 2

Second Special Session
House 87 0
Senate 48 0

Effective: July 13, 2001

Partial Veto Summary: The Governor vetoed the section which provided an exemption for tax amounts from reporting periods before the act's effective date.