

---

***Finance Committee***

---

***HB 1638***

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

***Sponsors:*** *Representatives Cairnes, Dunshee, Conway, Skinner, Santos, Benson, Jackley, Miloscia, Van Luven and Dunn.*

***Brief Summary of Bill***

*An exemption from the business and occupation tax is provided for the provision of non-facility based residential services to persons with developmental disabilities.*

***Hearing Date:*** *2/13/01*

***Staff:*** *Mark Matteson (786-7145).*

***Background:***

*The business and occupation (B&O) tax is Washington State's major business tax. The tax is imposed on the gross receipts of business activities conducted within the state. Revenues are deposited to the state general fund. A business may have more than one B&O tax rate, depending on the types of activities conducted. Examples of some of the B&O tax rates that apply to Washington businesses include:*

Retailing	0.471	percent
Manufacturing and wholesaling	0.484	percent
Services	1.5	percent

The B&O tax does not permit deductions for the costs of doing business, such as payments for raw materials and wages of employees. Nonetheless, there are many exemptions for specific types of business activities and certain deductions and credits permitted under the B&O tax statutes. One such exemption is for licensed adult family homes, which may serve clients with developmental disabilities. In addition, a deduction is provided for grants

received by nonprofit or governmental organizations that support health or social welfare programs, which may include developmental disability-related services.

Persons that provide non-facility based residential services for profit under contract with the Department of Social and Health Services Division of Developmental Disabilities to persons with development disabilities pay B&O taxes at a rate of 1.5 percent. Such persons do not receive a B&O exemption or deduction associated with such services. The phrase "non-facility based residential services" refers to programs in which services are provided to a person in his or her own home.

***Summary of Bill:***

***A business is exempt from paying B&O taxes on any amounts received from the Department of Social and Health Services for providing non-facility based residential services to persons with developmental disabilities.***

***Appropriation: None.***

***Fiscal Note: Requested on February 06, 2001.***

***Effective Date: The bill takes effect on July 01, 2001.***