

Finance Committee

HB 1959

Brief Description: *Exempting certain health care services from business and occupation taxation.*

Sponsors: *Representatives Cairnes, Morris, Carrell, Reardon, Roach and Casada.*

Brief Summary of Bill

- *An exemption from the business and occupation tax is provided to health care providers that receive amounts from a governmental entity for the provision of health or social welfare services.*

Hearing Date: *2/21/01*

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. For businesses in the service sector generally, the tax is imposed at a rate of 1.5 percent. Revenues are deposited to the state general fund.

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, deductions, and credits for specific types of business activities. For example, a deduction is provided for compensation received from governments for the provision of health or social welfare services by a not-for-profit corporation or local governmental entity, although the deduction does not apply to amounts received under an employee benefit plan. No deduction or exemption is available to amounts received from governments by for-profit entities for the provision of health or social welfare services.

Summary of Bill:

An exemption from the B&O tax is provided for compensation received from governments

by a health care provider. The exemption is provided to the same extent that compensation received from governments may be deducted under current law by not-for-profits or other governments for the provision of health or social welfare services.

A health care provider is defined as a health care practitioner who is regulated by the state, as a hospital, or as any other person or organization that is licensed or authorized to provide health care services.

Appropriation: *None.*

Fiscal Note: *Requested on February 09, 2001.*

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