

VETO MESSAGE ON HB 1624-S

July 13, 2001

To the Honorable Speakers and Members,

The House of Representatives of the State of Washington
Ladies and Gentlemen:

I am returning herewith, without my approval as to section 3, Substitute House Bill No. 1624 entitled:

"AN ACT Relating to the business and occupation tax deduction for health or social welfare services as applied to government-funded health benefits paid through managed care organizations;"

Substitute House Bill No. 1624 authorizes a business and occupation (B&O) tax deduction for amounts received by a health or social welfare organization that is a non-profit hospital or a public hospital, from a managed care organization or other entity that is under contract with the federal or state government to manage certain health care benefits. The deduction is equal to the amount of payments the entity receives for health benefits for Medicare; medical assistance, children's health, or other programs authorized pursuant to RCW 74.09; or the Washington Basic Health Plan. The credit amount is limited to the extent these payments are received as compensation for health care services within the scope of benefits covered by the pertinent government health care program.

Section 3 of this bill would have applied the deduction to taxes collected in the future, on reporting periods prior to the effective date of this act. The retroactive nature of the provision is not fair to taxpayers who have timely reported and remitted their taxes. Taxpayers who failed to pay their taxes due before the effective date of this bill would have been rewarded for being delinquent, while those who paid on time would not receive a refund (such refunds are prohibited by Article VIII, Section 7 of the Washington Constitution as interpreted by the Washington Supreme Court).

For this reason, I have vetoed section 3 of Substitute House Bill No. 1624.

With the exception of section 3, Substitute House Bill No. 1624 is approved.

Respectfully submitted,
Gary Locke
Governor