
SENATE BILL 5638

State of Washington

69th Legislature

2025 Regular Session

By Senators Saldaña, Hasegawa, and Valdez

Read first time 02/03/25. Referred to Committee on Ways & Means.

1 AN ACT Relating to funding health care access by imposing an
2 excise tax on the annual compensation paid to certain highly
3 compensated hospital employees; and adding a new chapter to Title 82
4 RCW.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** INTENT. (1) The legislature finds that
7 Washington state has many competing and important public service
8 needs, including meaningful access to a more robust and affordable
9 health care system. With abundant wealth concentrated in specific
10 sectors and among particular companies and individuals, there is a
11 need to prioritize and direct financial resources to those most
12 vulnerable in need of health care. Washingtonians depend on our
13 nonprofit hospitals to care for our loved ones during their greatest
14 times of need.

15 (2) The legislature further finds that some nonprofit hospitals
16 find themselves with large revenues and inflated administrative
17 salaries but fail to fulfill their fundamental responsibilities to
18 the communities they are meant to serve. This neglect of their
19 duties, including failure to offer essential reproductive health
20 services, provide safe working conditions to frontline staff, and
21 care for our most vulnerable populations, while simultaneously

1 engaging in excessive compensation of top earners, erodes trust in
2 the health care system.

3 (3) The legislature intends to expand access to affordable health
4 care by controlling health care administrative costs through a tax on
5 excess compensation paid by hospitals. This additional revenue will
6 provide funding to increase Washingtonians' access to health care,
7 including funding programs that advance health equity and expand
8 access to reproductive care.

9 NEW SECTION. **Sec. 2.** DEFINITIONS. The definitions in this
10 section apply throughout this chapter unless the context clearly
11 requires otherwise.

12 (1) "Annual total compensation" means the total compensation of a
13 covered employee as required to be reported to the department of
14 health under RCW 43.70.052(3).

15 (2) "Average annual wage" has the same meaning as in RCW
16 50.04.355.

17 (3) "Covered employees" means the five highest compensated
18 employees of a hospital, who do not have any direct patient
19 responsibilities, and for whom the hospital must report compensation
20 under RCW 43.70.052(3). If the five highest compensated employees do
21 not include the lead administrator for the hospital, "covered
22 employee" also includes the lead administrator.

23 (4) "Excess compensation" means the annual total compensation of
24 a covered employee, as required to be reported under RCW 43.70.052(3)
25 on or before December 31st of the tax year, that exceeds 10 times the
26 average annual wage most recently published, as of December 31st of
27 the tax year, by the employment security department.

28 (5) "Hospital" means any hospital licensed under chapter 70.41
29 RCW.

30 (6) "Tax year" means the calendar year immediately preceding the
31 year in which the tax under this chapter is due and payable to the
32 department.

33 NEW SECTION. **Sec. 3.** EXCESS COMPENSATION TAX. (1) Beginning
34 January 1, 2026, for taxes due in 2027, an excess compensation tax is
35 imposed on the hospitals that pay covered employees excess
36 compensation. The tax equals the sum of the annual total
37 compensation, as required to be reported to the department of health
38 under RCW 43.70.052(3) during the tax year, of any covered employee

1 that is paid excess compensation during the tax year, multiplied by
2 7.5 percent.

3 (2) Taxpayers owing tax under this chapter must file, on forms
4 prescribed by the department, a return and pay the tax due as
5 provided in RCW 82.32.045(3).

6 (3) The department may allow hospitals that are affiliated, as
7 defined in RCW 82.04.299, with each other to report on a single
8 return.

9 (4) The tax imposed under this chapter is in addition to any tax
10 imposed under chapter 82.04 RCW.

11 NEW SECTION. **Sec. 4.** DEDUCTION. A hospital may deduct from the
12 measure of tax imposed under section 3 of this act that portion of a
13 covered employee's annual total compensation for work performed
14 outside of this state when such out-of-state work is not in the
15 furtherance of the hospital's business activities in this state. The
16 deduction is determined by multiplying a covered employee's annual
17 total compensation by a fraction. The numerator of the fraction is
18 the total hours that the covered employee worked outside of this
19 state during the tax year not in the furtherance of the hospital's
20 business activities in this state, and the denominator of the
21 fraction is the total hours that the covered employee worked anywhere
22 during the tax year.

23 NEW SECTION. **Sec. 5.** PROCESSES. (1) Except as otherwise
24 provided by law and to the extent not inconsistent with the
25 provisions of this chapter, chapter 82.32 RCW applies to the
26 administration of taxes imposed under this chapter.

27 (2) The department may enter into data-sharing agreements with
28 the department of health for the data collected under RCW
29 43.70.052(3).

30 NEW SECTION. **Sec. 6.** SHORT TITLE. This act may be known and
31 cited as the hospital executive excess compensation tax act.

32 NEW SECTION. **Sec. 7.** SEVERABILITY. If any provision of this act
33 or its application to any person or circumstance is held invalid, the
34 remainder of the act or the application of the provision to other
35 persons or circumstances is not affected.

1 NEW SECTION. **Sec. 8.** Sections 1 through 6 of this act
2 constitute a new chapter in Title 82 RCW.

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