
Finance Committee

HB 1858

Brief Description: Regarding taxation of persons providing chemical dependency services.

Sponsors: Representatives Morris, McIntire, Gombosky, Cairnes, Roach and Shabro.

Brief Summary of Bill

- Reduces the business and occupation tax rate from 1.5 to 0.484 percent on certain income received by persons who provide certified intensive inpatient or recovery house residential treatment services for chemical dependency.

Hearing Date: 2/25/03

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. The rate at which gross receipts derived from the provision of chemical dependency services are taxed is 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.

In addition to exemptions, credits, and deductions, certain activities are taxed under the B&O tax at preferential rates relative to the principal classification rates. For example, while services generally are taxed at a 1.5 percent rate, nonprofit businesses that conduct research and development services are taxed at a rate of 0.484 percent.

Two forms of chemical dependency treatment are intensive inpatient treatment and recovery house treatment. Intensive inpatient treatment is a highly structured program in a residential setting, and services emphasize alcohol and drug education and individual or group therapy. Recovery house treatment involves social, recreational, and occupational therapy as well as

treatment in a residential setting. The recovery house approach emphasizes helping patients to re-enter the community and the outpatient phase of treatment.

Summary of Bill:

The tax rate under the state business and occupation tax is reduced from 1.5 percent to 0.484 percent, with respect to certain income received by persons certified by the Department of Social and Health Services to provide intensive inpatient or recovery house residential treatment services for chemical dependency. The preferential tax rate applies to income received from any federal, state, or local governmental entity by such certified persons.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect ninety days after adjournment of session in which bill is passed.