
Finance Committee

HB 2724

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

Sponsors: Representatives Kagi, Cairnes, Orcutt, Santos, McDonald, O'Brien, Hankins, Conway, Roach, McIntire, Lovick, Campbell, Simpson, G., Talcott, Clibborn and Morrell.

Brief Summary of Bill

- Exempts from the business and occupation tax payments from the Department of Social and Health Services for providing non-facility based residential services to persons with developmental disabilities.

Hearing Date: 2/5/04

Staff: Rick Peterson (786-7150).

Background:

Some people with developmental disabilities rely on residential services for assistance in participating as a community member, managing daily activities, maintaining personal appearance, managing money, making purchases, creating opportunities to make friends, maintaining personal relationships, pursuing personal interests and locating, furnishing and keeping up their homes. Some people live in homes owned by the program from which they receive support.

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. Although there are several different rates, the most common rates are 0.471 percent for retailing, 0.484 percent for wholesaling, and 1.5 percent for service activity.

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

Businesses 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. 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 January 21, 2004.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.