
Finance Committee

HB 1274

Brief Description: Providing a business and occupation tax credit for the provision of certain mental health services.

Sponsors: Representatives Orcutt, Ahern, Dunn, Haler, Kristiansen, Roach, Kenney, Strow, Kretz, Holmquist, Newhouse and Hinkle.

Brief Summary of Bill

- Allows a credit against the business and occupation (B & O) tax for the additional cost to employers associated with paying for required mental health care coverage under HB 1154.

Hearing Date: 2/2/05

Staff: Mark Matteson (786-7145).

Background:

Mental health care coverage. State law does not require health carriers to provide mental health coverage. Health carriers providing group coverage to employers are required to offer optional supplemental coverage for mental health treatment, which can be waived at the request of the employer. If a health carrier does provide mental health coverage there is no specific mandates on the level of coverage that must be provided under the group coverage.

Introduced in the 2005 session, HB 1154 requires group health insurance plans with over 50 employees to provide a level of coverage for mental health services that is equal to the coverage provided for medical and surgical services. The requirements are imposed in three increments between 2006 and 2010. Once the mental health parity requirements are fully implemented in 2010, limitations on mental health services may be imposed by an insurance plan only if the same limitations are imposed on medical and surgical services.

Business and occupation tax. Washington's major business tax is the B&O tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. The tax is imposed on the gross receipts from all business activities conducted within the state. Revenues are deposited in the state General Fund. A business may have more than one B&O tax rate, depending on the types of activities conducted. The tax rate for most types of businesses that provide services 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.

Summary of Bill:

A credit is allowed against the B&O tax to employers who offer health benefit plans for the additional health care coverage costs that result from mental health care coverage requirements under HB 1154. The amount of credit is equal to the additional cost to the employer of the additional coverage.

Appropriation: None.

Fiscal Note: Requested on January 19, 2005.

Effective Date: The bill contains an emergency clause and takes effect immediately.