

# SENATE BILL REPORT

## SB 6368

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As Passed Senate, February 17, 2006

**Title:** An act relating to the discontinuation of the nursing facility bed tax.

**Brief Description:** Discontinuing the nursing facility bed tax.

**Sponsors:** Senators Haugen, Benson, Kline, Kohl-Welles, Keiser, Carrell and Fairley.

**Brief History:**

**Committee Activity:** Ways & Means: 1/26/06; 2/16/06 [DP].

Passed Senate: 2/17/06, 45-0.

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Doumit, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Fairley, Kohl-Welles, Parlette, Pridemore, Rasmussen, Regala, Roach, Rockefeller and Schoesler.

**Staff:** Tim Yowell (786-7435)

**Background:** In 2003, the state levied a new tax of \$6.50 per patient day of care on nursing homes. In the 2005 session, the Legislature provided for a phased elimination of the tax over six years. The tax rate was reduced to \$5.25 per patient day during the 2005-07 biennium; to \$3.00 per patient day during the 2007-09 biennium; and to \$1.50 per day during the 2009-11 biennium. Under current law, the tax will no longer be imposed after July 1, 2011.

The tax will generate approximately \$21 million of net revenue for the State General Fund in 2007-09, after accounting for the portion of the tax for which facilities are reimbursed in their Medicaid payment rate.

**Summary of Bill:** The additional tax on nursing facilities is repealed effective July 1, 2007.

**Appropriation:** None.

**Fiscal Note:** Requested on January 11, 2006.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill takes effect on July 1, 2007.

**Testimony For:** The economy is now strong enough to repeal this tax. The tax is unfair, because it penalizes people who have saved in order to pay for their own long-term care. Taxing people who are trying to pay for their own care encourages them to use legal maneuvers to qualify for Medicaid. The tax is very high, especially if both members of a couple are in a nursing home. Because of low Medicaid payment rates, private-pay residents are already "taxed" in order to subsidize care for state clients.

**Testimony Other:** The tax should be phased out as provided in current law. A bigger problem for private-pay residents than the tax is the cost-shift they experience because of inadequate Medicaid payment rates.

**Who Testified:** PRO: Senator Haugen, prime sponsor; Neva Sullivan; Joshua Gortler, Jewish Federation of Greater Seattle; Deb Murphy, Washington Association of Homes and Services for the Aging.

OTHER: Jonathan Eames, Washington Health Care Association.