

HOUSE BILL REPORT

HB 2544

As Reported by House Committee On:
Finance

Title: An act relating to tax exemptions for temporary medical housing provided by health or social welfare organizations, as defined in RCW 82.04.431.

Brief Description: Concerning tax exemptions for temporary medical housing provided by health or social welfare organizations.

Sponsors: Representatives Hunter, Orcutt, Ericks, Moeller, Ormsby, McIntire, Kenney and Conway; by request of Department of Revenue.

Brief History:

Committee Activity:

Finance: 1/18/08 [DP].

Brief Summary of Bill

- Exempts the sale of temporary medical housing from state and local sales and lodging taxes.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 9 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Conway, Ericks, McIntire, Roach and Santos.

Staff: Jeff Mitchell (786-7139).

Background:

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services. Use taxes apply to the value of most tangible personal property and some services when used in this state, if retail sales taxes were not collected when the property or services were acquired by the user. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 2.4 percent, depending on the

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location. The average local tax rate is 2.0, for an average combined state and local tax rate of 8.5 percent.

State and local sales taxes apply to lodging rentals by hotels, motels, rooming houses, private campgrounds, RV parks, and similar facilities. "Hotel-motel" taxes (also called lodging taxes in some cases) are special sales taxes on lodging rentals. Some hotel-motel taxes are credited against the state sales tax rather than being added to rental charges paid by customers. Other hotel-motel taxes are imposed in addition to ordinary state and local sales taxes and are added to the amount paid by the customer.

Temporary medical housing facilities provide lodging and related services to patients or their immediate families while the patient is undergoing medical treatment at a hospital or affiliated outpatient clinic. If the patient is receiving treatment on an outpatient basis, then both the patient and the immediate family may obtain lodging at these facilities. If the patient is confined to a hospital while receiving treatment, the immediate family may reside at the facility on a temporary basis. Presently, there are believed to be nine establishments that might qualify as a temporary medical housing facility: three in Seattle, two in Spokane, two in Wenatchee, and one each in Tacoma and Olympia.

Summary of Bill:

Temporary medical housing provided by a health or social welfare (nonprofit) organization is exempted from state and local sales taxes and similar charges on lodging. To qualify, the housing must be provided to the patient or patient's family while the patient is receiving medical treatment at a hospital licensed in Washington or the patient is recuperating or under observation following medical treatment at a licensed hospital.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect July 1, 2008.

Staff Summary of Public Testimony: (In support) The general purpose of this bill is to provide equitable tax treatment. The existing law does not give us the flexibility to not impose lodging tax for this type of housing. This bill makes for good tax policy. Lodging tax is not imposed on a person's stay in a hospital because the lodging in that context is clearly secondary to the primary purpose of obtaining medical treatment. This is a similar situation. This bill is narrowly drafted to only apply to nonprofit organizations. Furthermore, the temporary medical housing business cannot provide lodging to the general public. The tax savings would allow temporary medical housing businesses to continue helping families. The Ronald McDonald House assisted over 1,200 families last year. Temporary medical housing is structurally and programmatically very different from a regular hotel. Temporary medical housing is intended to create a homelike experience for a family while a family member

undergoes medical treatment or heals at a nearby hospital. Having family members nearby is a paramount concern for the recuperation of a patient.

(Opposed) None.

Persons Testifying: Representative Hunter, prime sponsor; Gil Brewer, Department of Revenue; Donell Bullock, Ronald McDonald House Charities; and Mike Ryherd, Fred Hutchinson Cancer Research Center.

Persons Signed In To Testify But Not Testifying: None.