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## Finance Committee

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### HB 2026

**Brief Description:** Providing a business and occupation tax credit for certain medical facilities to hire physicians.

**Sponsors:** Representative Haler.

<p style="text-align: center;"><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Provides a business and occupation credit to Eastern Washington medical facilities that hire additional medical residents.</li></ul>
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**Hearing Date:** 2/23/15

**Staff:** Richelle Geiger (786-7175).

**Background:**

Washington's major business tax is the business and occupation (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. There are several rate categories, and a business may be subject to more than one B&O tax rate, depending on the types of activities conducted.

In 2013 the Legislature passed Engrossed Substitute Senate Bill 5882, which requires all new tax preference legislation to include a tax preference performance statement. New tax preference means a tax preference that initially takes effect after August 1, 2013, or a tax preference in effect as of August 1, 2013, that is expanded or extended after August 1, 2013. Tax preferences include deductions, exemptions, preferential tax rates, and tax credits. The performance statement must clearly specify the public policy objective of the tax preference, and the specific metrics and data that will be used by the Joint Legislative Audit and Review Committee (JLARC) to evaluate the efficacy of the tax preference.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Engrossed Substitute Senate Bill 5882 also establishes an automatic 10-year expiration date for new tax preference if an alternative expiration date is not provided in the new tax preference legislation.

**Summary of Bill:**

Eastern Washington medical facilities that hire an additional medical resident on or after July 1, 2015 for 12 consecutive months with an annual salary of at least \$40,000 may claim a \$5,000 business and occupation tax credit. Each taxpayer has a \$25,000 annual credit cap. Credits that exceed the cap can be claimed the following calendar year. However, the carryover amount is only permitted to the extent the cap for the next calendar year is not exceeded.

Prior to hiring the first eligible medical resident, the medical facility must file an application with the Department of Revenue. The application must identify the number of medical residents currently employed by the medical facility. To claim the credit, the number of resident physicians employed by the medical facility must be greater after the hire of the additional medical resident than the number of resident physicians indicated on the application.

If a review finds the number of physicians who complete their residency program at Eastern Washington has increased by at least 20 percent within the first 10 years after the enactment of the bill, the Legislature intends to extend the expiration date. If the review does not find the previous metric has been achieved, the tax preference will expire 10 years after the enactment of the bill.

**Appropriation:** None.

**Fiscal Note:** Requested on February 18, 2015.

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