

SENATE BILL REPORT

HB 1858

As Reported By Senate Committee On:
Ways & Means, April 7, 2003

Title: An act relating to the taxation of persons providing chemical dependency services certified by the department of social and health services.

Brief Description: Regarding taxation of persons providing chemical dependency services.

Sponsors: Representatives Morris, McIntire, Gombosky, Cairnes, Roach and Shabro.

Brief History:

Committee Activity: Ways & Means: 3/26/03, 4/7/03 [DPA].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Rossi, Chair; Hewitt, Vice Chair; Zarelli, Vice Chair; Doumit, Hale, Honeyford, Johnson, Parlette, Roach and Sheahan.

Staff: Terry Wilson (786-7433)

Background: The business and occupation (B&O) tax is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities conducted within the state. There are generally no deductions for the costs of doing business. The rate at which gross receipts derived from the provision of chemical dependency services is taxed is 1.5 percent.

The Department of Social and Health Services certifies persons to provide chemical dependency treatment services in Washington under the department's Division of Alcohol and Substance Abuse. These persons may receive funding from the state, federal, and, in some cases, local governments to provide such services.

Two forms of chemical dependency treatment are intensive inpatient treatment and recovery house treatment. Intensive inpatient treatment is a highly structured program in a residential setting, and services emphasize alcohol and drug education and individual or group therapy. Recovery house treatment involves social, recreational, and occupational therapy, as well as treatment in a residential setting. The recovery house approach emphasizes helping patients to re-enter the community and the outpatient phase of treatment.

Nonprofit organizations providing chemical dependency services are allowed a deduction from the B&O tax for payments from governmental entities for the services.

Summary of Amended Bill: The tax rate under the state business and occupation tax is reduced from 1.5 percent to 0.484 percent with respect to income received from any federal, state, or local governmental entity by persons certified by the Department of Social and

Health Services to provide intensive inpatient or recovery house residential treatment services for chemical dependency.

Amended Bill Compared to Original Bill: A technical amendment is made.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This bill does not affect nonprofit organizations. There are only four other organizations that provide these services. They are solely publicly funded. Reimbursement rates are low. This allows the organizations to enhance the wages of their employees. They are not high paying jobs.

Testimony Against: None.

Testified: Carey Morris, David Laws, Prosperity Counseling & Treatment Services (pro).