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## Finance Committee

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### HB 1638

**Brief Description:** Increasing access to health care by creating tax credits for hiring scribes.

**Sponsors:** Representatives Schmick, Manweller and Tharinger.

<p style="text-align: center;"><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Provides a business and occupation tax credit to medical practices that employ eligible scribes.</li></ul>
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**Hearing Date:** 2/3/15

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

**Background:**

Business and Occupation Taxes.

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.

Tax Preference Performance Statement.

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:**

Medical practices may claim a B&O tax credit for employing medical scribes on or after July 1, 2015. A scribe is an unlicensed individual hired to enter information into an electric medical record or chart at the direction of a physician. A scribe does not and may not act independently, but can support work flow by documenting the previously determined dictation and activities of a physician or a practitioner.

The B&O credit equals:

- \$250 per calendar quarter for each scribe is continuously employed on a full time basis; and
- \$125 per calendar quarter for each scribe is continuously employed on a part time basis.

Credits are available on a first-in time basis. The Department of Revenue (DOR) may not allow the total amount of credits claimed in a calendar year to exceed \$500,000. Unused credit can be carried over and used in subsequent years. The credit amount that is carried over may only be used to the extent the \$500,000 limit for any calendar year is not exceeded. The amount of credit that a taxpayer claims cannot be greater than the B&O tax otherwise due during the reporting period. The Department of Health must work with the DOR to develop a process to verify that a scribe has been hired into a position that qualifies for the credit.

The tax preference is subject to the automatic 10-year expiration date for new tax preferences. The Legislature intends to extend the expiration date if a JLARC review finds the employment of scribes has increased by 5 percent since the enactment of the tax preference.

**Appropriation:** None.

**Fiscal Note:** Requested on February 2, 2015.

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 2015.