
SENATE BILL 5666

State of Washington

62nd Legislature

2011 Regular Session

By Senators Pflug and Keiser

Read first time 02/03/11. Referred to Committee on Health & Long-Term Care.

1 AN ACT Relating to accountability for tax exempt hospitals;
2 amending RCW 84.36.840 and 84.36.040; and creating a new section.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** (1) The legislature finds that the property
5 tax exemption for hospitals dates back as far as the year 1854 when
6 benevolent, charitable, literary, and scientific institutions were
7 first exempted from the tax base.

8 (2) The legislature finds that a 2007 report on tax preferences
9 from the joint legislative audit and review committee suggested that it
10 was not clear how well nonprofit hospitals had met expectations for
11 charitable services and community benefits as compared to the
12 performance of private for-profit hospitals and also found mixed
13 results as to whether nonprofit hospitals were providing more charity
14 care as a percent of adjusted revenue than for-profit hospitals not
15 receiving the tax exemption. The same report values the property tax
16 exemption between fifty and sixty million dollars per year for the
17 state's forty-five nonprofit hospitals.

18 (3) The legislature finds that an exemption from property taxes for
19 certain hospitals both: (a) Reduces state funds that would otherwise

1 be available to fund the health care safety net; and (b) requires
2 property owners in those communities to pay a greater share of the
3 local tax burden.

4 (4) It is therefore the intent of the legislature to recognize
5 nonprofit hospitals that are providing essential community benefits
6 while ensuring that compensation packages for nonprofit hospital
7 employees are comparable with other public purpose entities.

8 **Sec. 2.** RCW 84.36.840 and 2007 c 111 s 305 are each amended to
9 read as follows:

10 (1) In order to determine whether organizations, associations,
11 corporations, or institutions, except those exempted under RCW
12 84.36.020 and 84.36.030, are exempt from property taxes, and before the
13 exemption (~~shall be~~) is allowed for any year, the superintendent or
14 manager or other proper officer of the organization, association,
15 corporation, or institution claiming exemption from taxation (~~shall~~)
16 must file with the department of revenue a statement certifying that
17 the income and the receipts thereof, including donations to it, have
18 been applied to the actual expenses of operating and maintaining it, or
19 for its capital expenditures, and to no other purpose. This report
20 (~~shall~~) must also include a statement of the receipts and
21 disbursements of the exempt organization, association, corporation, or
22 institution.

23 (2) Educational institutions claiming exemption under RCW 84.36.050
24 (~~shall~~) must also file a list of all property claimed to be exempt,
25 the purpose for which it is used, the revenue derived from it for the
26 preceding year, the use to which the revenue was applied, the number of
27 students who attended the school or college, the total revenues of the
28 institution with the source from which they were derived, and the
29 purposes to which the revenues were applied, listing the items of such
30 revenues and expenditures in detail.

31 (3) A nonprofit hospital that claims an exemption under RCW
32 84.36.040 must file an unofficial copy of their federal Schedule H form
33 990 with the department within five days of filing the form with the
34 internal revenue service. The department must make each unofficial
35 copy of the federal Schedule H form 990 available for download on the
36 department's web site.

1 (4)(a) To be exempt under this section, a nonprofit hospital or
2 public hospital district must:

3 (i) Maintain the salary of its officers at levels comparable to the
4 salary or compensation of like positions within the public service of
5 the state;

6 (ii) Ensure that all management contracts and third-party vendors
7 are obtained at no greater than fair market value;

8 (iii) Annually submit on or before March 31st of each year an
9 independently conducted salary comparison for its five highest paid
10 officers to the department to demonstrate compliance with subsection
11 (a)(i) of this subsection (4); and

12 (iv) Post the full salary detail, including all forms of wage and
13 nonwage compensation, of its five highest paid officers on a public web
14 site maintained by the Washington state hospital association.

15 (b) The nonprofit hospital or public hospital district has the
16 burden of proof on an annual basis to demonstrate that its five highest
17 paid officers are compensated at levels comparable to like positions
18 within the public service of the state and the department may require
19 adjustment to the salary schedule for purposes of maintaining exempted
20 status under subsection (1) of this section.

21 (c) A nonprofit hospital or public hospital district that does not
22 satisfy the requirements of this subsection (4) is not entitled to an
23 exemption under this section.

24 (5) For purposes of ((~~subsection (1) of~~)) this section, "child day
25 care center" means a nonprofit organization that regularly provides
26 child day care and early learning services for a group of children for
27 periods of less than twenty-four hours.

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