
SENATE BILL 5574

State of Washington

52nd Legislature

1991 Regular Session

By Senators Niemi and McDonald.

Read first time February 8, 1991. Referred to Committee on Health & Long-Term Care.

1 AN ACT Relating to business and occupation tax exemptions for
2 nonprofit hospitals; amending RCW 82.04.4289; and creating a new
3 section.

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

5 NEW SECTION. **Sec. 1.** (1) Significant numbers of the citizens
6 of this state lack medical insurance or other third-party coverage for
7 medical costs.

8 (2) Numerous hospitals are exempt from state and local property
9 taxes and from the state business and occupation tax as nonprofit
10 hospitals. These tax exemptions are justified by the long tradition
11 carried on by many of these institutions of providing necessary medical
12 care to individuals who are unable to pay for such care.

13 (3) In the increasingly competitive health care market, some
14 hospitals have reduced the charitable care they once provided and
15 others provide no charitable care. Other hospitals continue to provide

1 necessary services, despite increasing financial pressure to abandon
2 this long-standing tradition.

3 (4) In the interests of recognizing the value of the services
4 provided by those hospitals that continue to provide charitable care
5 and of equalizing the competitive position of those hospitals that do
6 fulfill this need and those that do not, this act limits the business
7 and occupation tax exemption, formerly provided to all nonprofit
8 hospitals, to those hospitals that provide their fair share of
9 charitable care.

10 **Sec. 2.** RCW 82.04.4289 and 1981 c 178 s 2 are each amended to read
11 as follows:

12 In computing tax there may be deducted from the measure of tax
13 amounts derived as compensation for services rendered to patients or
14 from sales of prescription drugs as defined in RCW 82.08.0281 furnished
15 as an integral part of services rendered to patients by a hospital, as
16 defined in chapter 70.41 RCW, which is operated as a nonprofit
17 corporation, a kidney dialysis facility operated as a nonprofit
18 corporation, whether or not operated in connection with a hospital,
19 nursing homes and homes for unwed mothers operated as religious or
20 charitable organizations, but only if no part of the net earnings
21 received by such an institution inures directly or indirectly, to any
22 person other than the institution entitled to deduction hereunder.

23 ~~((In no event shall any such))~~ No deduction ((be)) is allowed((7))
24 under this section for a hospital unless the hospital building is
25 entitled to exemption from taxation under the property tax laws of this
26 state and the hospital provided charity care in the reporting period
27 valued in an amount equal to or exceeding one and one-half percent of
28 the total patient revenue of the hospital for the reporting period.

1 As used in this section, the following terms have the meanings
2 indicated.

3 (1) "Charity care" means necessary hospital health care rendered to
4 indigent persons to the extent that the persons are unable to pay for
5 the care or to pay deductibles or coinsurance amounts required by a
6 third-party payer. Charity care does not include the difference
7 between the cost of services and the amount of reimbursement for the
8 services by medicare, medicaid, or any other third-party payer, or
9 other amounts owed to the hospital, by a patient who is not indigent,
10 that the hospital has been unable to collect.

11 (2) "Indigent persons" means those patients who have exhausted all
12 third-party sources, including medicare and medicaid, and whose gross
13 income is below two hundred percent of the federal poverty standards,
14 adjusted for family size.

15 (3) "Total patient revenues" means total revenues from patients,
16 including medicare, medicaid, and other third-party reimbursements for
17 services.