
SENATE BILL 5794

State of Washington

52nd Legislature

1991 Regular Session

By Senators Niemi and McDonald.

Read first time February 21, 1991. Referred to Committee on Ways & Means.

1 AN ACT Relating to business and occupation tax deductions for
2 hospitals; amending RCW 82.04.4288 and 82.04.4289; creating a new
3 section; and providing an effective date.

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

14 (3) In the increasingly competitive health care market, some
15 hospitals have reduced the charitable care they once provided and

1 others provide no charitable care. Other hospitals continue to provide
2 necessary services, despite increasing financial pressure to abandon
3 this long-standing tradition.

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

10 **Sec. 2.** RCW 82.04.4288 and 1980 c 37 s 9 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 or to be rendered
14 to patients or from sales of prescription drugs as defined in RCW
15 82.08.0281 furnished as an integral part of services rendered to
16 patients by a hospital, as defined in chapter 70.41 RCW, devoted to the
17 care of human beings with respect to the prevention or treatment of
18 disease, sickness, or suffering, when such hospital is operated by the
19 United States or any of its instrumentalities, or by the state, or any
20 of its political subdivisions.

21 No deduction is allowed under this section for a hospital that is
22 operated by the state, or any of its political subdivisions, unless the
23 hospital provided charity care in the reporting period valued in an
24 amount equal to or exceeding one and one-half percent of the total
25 patient revenue of the hospital for the reporting period.

26 As used in this section, the following terms have the meanings
27 indicated.

28 (1) "Charity care" means necessary hospital health care rendered to
29 indigent persons to the extent that the persons are unable to pay for

1 the care or to pay deductibles or coinsurance amounts required by a
2 third-party payer. Charity care does not include the difference
3 between the cost of services and the amount of reimbursement for the
4 services by medicare, medicaid, or any other third-party payer, or
5 other amounts owed to the hospital, by a patient who is not indigent,
6 that the hospital has been unable to collect.

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

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

14 **Sec. 3.** RCW 82.04.4289 and 1981 c 178 s 2 are each amended to read
15 as follows:

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

27 ~~((In no event shall any such))~~ No deduction ((be)) is allowed((7))
28 under this section for a hospital unless the hospital building is
29 entitled to exemption from taxation under the property tax laws of this

1 state and the hospital provided charity care in the reporting period
2 valued in an amount equal to or exceeding one and one-half percent of
3 the total patient revenue of the hospital for the reporting period.

4 As used in this section, the following terms have the meanings
5 indicated.

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

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

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

21 NEW SECTION. Sec. 4. This act shall take effect August 1,
22 1991.