

HOUSE BILL REPORT

EHB 2517

As Passed House
March 2, 1994

Title: An act relating to business and occupation tax on hospitals.

Brief Description: Making the business and occupation tax on for-profit hospitals equal to the tax on nonprofit hospitals.

Sponsors: Representatives Holm, Brumsickle, Roland, Chappell, Romero, Rayburn, Wolfe, Fuhrman, Sheldon, Brown, G. Fisher, Bray, Valle, Dyer, Long, Chandler, Backlund, Cooke and Wood.

Brief History:

Reported by House Committee on:
Revenue, February 5, 1994, DP;
Passed House, March 2, 1994, 93-0.

HOUSE COMMITTEE ON REVENUE

Majority Report: Do pass. Signed by 12 members: Representatives G. Fisher, Chair; Holm, Vice Chair; Foreman, Ranking Minority Member; Anderson; Caver; Leonard; Romero; Rust; Silver; Talcott; Thibaudeau and Wang.

Staff: Rick Peterson (786-7150).

Background: Washington's major business tax is the Business and Occupation (B&O) tax. This tax is imposed on the gross receipts from all activities engaged in for profit, except specific activities and types of income exempted from the tax.

Hospitals operated by nonprofit corporations or by the state or any of its political subdivisions were exempt from B&O tax until July 1, 1993. As part of the Washington Health Service Act of 1993, this exemption was phased out and the resulting revenue deposited in the Health Services Account. The exemption phase-out subjected these hospitals to B&O tax at a rate of 0.75 percent through June 30, 1995, and 1.5 percent thereafter. The latter rate was also the rate applicable to most service business, including for-profit hospitals.

As part of the 1993 Omnibus Revenue Act, the Legislature raised most B&O tax rates, effective July 1, 1993. The service rate applicable to for-profit hospitals was raised to 2.13 percent. The rate for nonprofit and government hospitals remained at 1.5 percent.

Summary of Bill: The Business and Occupation tax rate applicable to for-profit hospitals is reduced to 1.5 percent.

Fiscal Note: Available on original bill. Requested on amended bill.

Effective Date: The bill takes effect July 1, 1994.

Testimony For: This bill will level the playing field by setting the same Business and Occupation tax rules for proprietary hospitals that apply to nonprofit hospitals. All hospitals are reimbursed at the same rates, and we must move into the new world of health care reform with everyone treated equally. Proprietary hospitals provide charity care just like nonprofit hospitals.

Testimony Against: None.

Witnesses: Representative Holm, prime sponsor; Jim Davenport and Kelly Adams, Capital Medical Center; Dwight Harshbarger Fifth Avenue Hospital; and Mike Gherardini, and Craig Wagner, Auburn General Hospital.