

SENATE BILL REPORT

SB 6608

AS REPORTED BY COMMITTEE ON WAYS & MEANS, MARCH 2, 1994

**Brief Description:** Relating to the business and occupation taxation of moneys received by health or social welfare organizations from governmental entities for health or social welfare services.

**SPONSORS:** Senators Rinehart and Gaspard

**SENATE COMMITTEE ON WAYS & MEANS**

**Majority Report:** That Substitute Senate Bill No. 6608 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rinehart, Chairman; Quigley, Vice Chairman; Bauer, Bluechel, Cantu, Gaspard, Hargrove, Hochstatter, Ludwig, Moyer, Snyder, Spanel, Sutherland, Talmadge, Williams and Wojahn.

**Staff:** Terry Wilson (786-7715)

**Hearing Dates:** March 2, 1994

**BACKGROUND:**

The 1993 Health Care Reform Act established a business and occupation tax on nonprofit and public hospitals to finance, in part, health care coverage for the citizens of the state. However, by inadvertent error, the Health Care Reform Act failed to address an existing deduction from the business and occupation tax for governmental payments to nonprofit organizations for health and social welfare services, such as federal Medicaid and Medicare payments. Failure to correct this error will result in revenues significantly less than those assumed by the Legislature in adopting the Health Care Reform Act and making appropriations from the health services account.

**SUMMARY:**

The original bill was not considered.

**EFFECT OF PROPOSED SUBSTITUTE:**

It is the intent of the Legislature to clarify that revenues received by nonprofit and public hospitals from governmental entities for health and social welfare services are subject to the business and occupation tax as intended by the 1993 Health Care Reform Act.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** none requested

**TESTIMONY FOR:**

Hospitals were surprised when the Department of Revenue informed them that the tax did not apply to some revenues. The rate and base is different for different hospitals. They should be the same.

**TESTIMONY AGAINST:** None

**TESTIFIED:** Dave Broderick, WA Hospital Assn. (pro)