

# HOUSE BILL REPORT

## SHB 3096

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### As Passed Legislature

**Title:** An act relating to declaring the state's preemption of the field of excise or privilege taxes on health maintenance organizations and health care service contractors.

**Brief Description:** Declaring the state's preemption of excise or privilege taxes on health care services.

**Sponsors:** By House Committee on Fin Inst/Ins (originally sponsored by Representatives Zellinsky and L. Thomas).

**Brief History:**

**Committee Activity:**

Financial Institutions & Insurance: 1/22/98, 2/2/98 [DPS];  
Finance: 2/5/98, 2/9/98 [DPS(FII)].

**Floor Activity:**

Passed House: 2/16/98, 79-19.  
Senate Amended.  
House Concurred.  
Passed Legislature.

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### HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives L. Thomas, Chairman; Smith, Vice Chairman; Zellinsky, Vice Chairman; Wolfe, Ranking Minority Member; Grant, Assistant Ranking Minority Member; Benson; DeBolt; Keiser and Wensman.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Constantine.

**Staff:** Charlie Gavigan (786-7340).

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**HOUSE COMMITTEE ON FINANCE**

**Majority Report:** The substitute bill by Committee on Financial Institutions & Insurance be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Boldt; Morris; Pennington; Schoesler; Thompson and Van Luven.

**Minority Report:** Do not pass. Signed by 5 members: Representatives Dunshee, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Conway; Kastama and Mason.

**Staff:** Bob Longman (786-7139).

**Background:** Insurance companies pay a premium tax of 2 percent on premiums. These taxes are collected by the insurance commissioner for deposit in the general fund. Health care service contractors and health maintenance organizations also pay a 2 percent tax on premiums or prepayments. These taxes are deposited in the health services account.

Local governments are preempted by the state from imposing excise or privilege taxes on insurance companies.

**Summary of Bill:** Beginning January 1, 2000, local governments are preempted by the state from imposing excise or privilege taxes on premiums or payments for health benefit plans provided by health care service contractors and health maintenance organizations. The preemption does not apply to the services performed by employees of a health maintenance organization.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** (Financial Institutions & Insurance) (on HB 2502) Health care service contractors and HMOs should be exempt from local taxes just like insurance companies are exempt. These companies already pay a 2 percent tax on premiums to the state which goes into the health services account. Multiple layers of local taxes will increase premiums.

(Finance) Same as in the Financial Institutions and Insurance Committee.

**Testimony Against:** (Financial Institutions & Insurance) (on HB 2502) Cities provide services to these businesses. This preemption will narrow the tax base of cities and increase the burden on everyone else. Local governments need flexibility and adequate revenues; preemption harms both flexibility and revenues.

(Finance) Same as in the Financial Institutions and Insurance Committee.

**Testified:** (Financial Institutions & Insurance) (on HB 2502) Mel Sorensen, Washington Physicians Service (supports); Rick Wickman, Blue Cross (supports); Ken Bertrand, Group Health (supports); Mike Doubleday, Glen Lee, Mel McDonald, city of Seattle (oppose); and Ron Rosenbloom, Association of Washington Cities (opposes).

(Finance) Mel Sorensen, Washington Physicians Service (pro); Rick Wickman, Blue Cross (pro); Mike Doubleday, City of Seattle (con); and Ron Rosenbloom, Association of Washington Cities (con).