

HOUSE BILL REPORT

SSB 6077

As Reported By House Committee On:

Finance

Title: An act relating to the business and occupation taxation of nonprofit organizations providing care for the terminally ill.

Brief Description: Exempting from business and occupation tax nonprofit hospice agencies.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators McCaslin and Snyder).

Brief History:

Committee Activity:

Finance: 2/19/98, 3/2/98 [DP].

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 14 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Dunshee, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Boldt; Butler; Conway; Kastama; Mason; Morris; Pennington; Schoesler and Thompson.

Staff: Linda Brooks (786-7153).

Background: Washington's major business tax is the business and occupation (B&O) tax. In 1997, the Legislature eliminated the distinction between financial services, selected business services, and other services and consolidated these activities into a single tax rate. These changes will take place July 1, 1998. After July the principal B&O tax rates will be:

Manufacturing, wholesaling, & extracting	0.484 percent
Retailing	0.471 percent
Services	1.5 percent

The B&O tax is imposed on the gross receipts of business activities conducted within the state without any deduction for the costs of doing business.

Hospice agencies are public or private agencies or organizations that provide care on an interdisciplinary basis for terminally ill persons. An interdisciplinary hospice care team includes persons trained in the following services: nursing, social work, physician, pastoral or spiritual counseling. The hospice agency may provide this interdisciplinary care either directly or through a contractual arrangement. The situs for providing the care may be either a temporary or permanent residence.

Nonprofit health and social welfare agencies are allowed a deduction from the B&O tax for payments received from governmental entities for health services. This deduction has been construed as applying to Medicaid and Medicare payments. Therefore, amounts received as compensation for care provided to non-Medicaid or non-Medicare patients are subject to tax. Nonprofit hospice agencies qualify as nonprofit health and social welfare agencies.

After deducting any amounts received as Medicaid or Medicaid payments, hospice agencies pay the service B&O tax of 1.5 percent on their remaining gross receipts.

The following organizations are exempt from paying B&O taxes on amounts received as compensation for patient services or as proceeds from the sale of prescription drugs furnished to patients:

- Nonprofit kidney dialysis facilities;
- Nursing homes; or
- Homes for unwed mothers operated as religious or charitable organizations.

Summary of Bill: Nonprofit hospice agencies licensed by the Department of Health are exempted from paying B&O tax on any amounts received as compensation for patient services or as proceeds from the sale of prescription drugs furnished to patients.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This bill clarifies that nonprofit hospices are exempt from B&O taxes. Nonprofit hospices have been operating under the assumption that they were exempt. It has been a surprise to learn that hospices are not fully exempt from B&O taxation. The fiscal note appears to be too high. This exemption should only cost about \$100,000 per year.

Testimony Against: None.

Testified: Anne Koepsell, Hospice of Spokane and Washington State Hospice Organization (pro).