

SENATE BILL REPORT

SB 5958

As Reported By Senate Committee On:
Health & Long-Term Care, March 4, 1997

Title: An act relating to business and occupation tax exemption for licensed nursing homes and licensed boarding homes.

Brief Description: Exempting licensed nursing homes and licensed boarding homes from the business and occupation tax.

Sponsors: Senators Strannigan, Swecker and Goings.

Brief History:

Committee Activity: Health & Long-Term Care: 2/25/97, 3/4/97 [DP-WM].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Deccio, Chair; Wood, Vice Chair; Benton, Strannigan and Wojahn.

Staff: Rhoda Jones (786-7198)

Background: Currently, nonprofit nursing homes do not pay business and occupation (B&O) tax on income generated from both the services provided to residents and the cost of their room and board. Some nonprofit nursing homes with ancillary services like gift shops pay B&O only for those nonpatient services. For-profit nursing homes do pay B&O taxes on all patient services, including room and board.

Boarding homes and adult family homes have historically not paid B&O taxes on services provided to residents.

There has been concern by boarding home providers that their exemption from these taxes needs to be clarified in statute. There is also concern by the 210 for-profit nursing homes that they should not be required to pay B&O taxes if all the other types of long-term care facilities are not required to pay based on their status as residences which are rented.

Summary of Bill: All licensed boarding homes and nursing homes are specifically exempt from paying business and occupation taxes. This includes all services rendered, including personal, medical, room and board.

Language states that there is a presumption that providing a room to residents of licensed nursing homes constitutes a rental of real estate, which is already exempt from business and occupation taxes.

Appropriation: None.

Fiscal Note: Requested on February 24, 1997.

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

Testimony For: Exempting for-profit nursing facilities from B&O taxation and continuing the exemption for boarding homes will ensure that all long-term care providers are treated similarly regarding B&O taxes. For-profit nursing facilities are reimbursed for the Medicaid portion of their B&O tax. This results in a savings in state expenditures.

Testimony Against: There is a significant loss in revenue to the state which is not offset by the reduction in expenditures.

Testified: PRO: Scott Sigman; WHCA; Ward Tappero, Marysville Care Center; John B. Mertz, Pioneer Place Alzheimer Residence; CON: Paul Montgomery, DSHS.