

# SENATE BILL REPORT

## SSB 6077

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As Passed Senate, February 4, 1998

**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:** Ways & Means: 4/3/97, 4/4/97 [DPS].

Passed Senate, 4/15/97, 47-0.

Passed Senate, 2/4/98, 49-0.

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 6077 be substituted therefor, and the substitute bill do pass.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Bauer, Brown, Fraser, Hochstatter, Kohl, Long, Loveland, McDonald, Rossi, Schow, Snyder, Spanel, Swecker, Thibaudeau and Winsley.

**Staff:** Terry Wilson (786-7433)

**Background:** Washington's major business tax is the business and occupation (B&O) tax. 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. Public and nonprofit hospitals are subject to the B&O tax at the rate of 1.5 percent. Proprietary hospitals are subject to the B&O tax at a rate of 1.75 percent through June 30, 1998, and 1.5 percent thereafter.

Nonprofit health and social welfare agencies are allowed a deduction from the B&O tax for payments from governmental entities for health services. This has been construed to apply to Medicaid and Medicare payments.

An exemption from the B&O tax exists for compensation received for services rendered to patients, and from sales of prescription drugs, furnished to patients by nonprofit kidney dialysis facilities and nursing homes and homes for unwed mothers operated as religious or charitable organizations.

**Summary of Bill:** The B&O tax exemption for compensation for patient care is extended to nonprofit hospice agencies licensed by the Department of Health.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** Nonprofit hospices were surprised to learn that they were subject to the B&O tax on all revenues but Medicaid and Medicare. The revenues are from charity care and are much lower than the cost of providing the care.

**Testimony Against:** None.

**Testified:** PRO: Gail McGaffick, WA State Hospice Organization; Diane Stollenwerk, Providence Health System & Peace Health.