

***Finance Committee***

***HB 1624***

***Brief Description:*** Clarifying the taxation of amounts received by public entities for health or welfare services.

***Sponsors:*** Representatives Morris (co-prime sponsor), Cairnes (co-prime sponsor), Reardon, Conway, Dunshee, Ogden, Pennington, Van Luven, Doumit, Veloria, Dickerson, Fromhold, Anderson and Edwards.

***Brief Summary of Bill***

- *Exempts from business and occupation tax payments received by a nonprofit health or social welfare organization from organizations under contract with the federal or state government to manage health benefits for medicare, medical assistance, children's health, or the basic health plan.*

***Hearing Date:*** 2/14/01

***Staff:*** Rick Peterson (786-7150).

***Background:***

*Washington's major business tax is the business and occupation (B&O) tax. This tax is imposed on the gross receipts of business activities conducted within the state. Nonprofit organizations pay B&O tax unless specifically exempted by statute. Exemption from federal income tax does not automatically provide exemption from state taxes.*

*Specific B&O exemptions, covering all or most income, exist for several types of nonprofit organizations. The eligibility conditions vary for each exemption. The exemptions include: nonprofit agricultural fairs, nonprofit church day care, bazaars and rummage sales, fund-raising auctions, nonprofit student loan agencies, nonprofit consumer debt counseling organizations, nonprofit fraternal organization for premiums for death benefits, the Red Cross, sheltered workshops, youth organizations for membership fees and certain service fees, trade shows, kidney dialysis facilities, health or social welfare organizations, nonprofit artistic and cultural organizations, and public safety standards and testing*

*organizations.*

*However, the B&O tax deduction for nonprofit organizations or local government jurisdictions for the support of health or social welfare programs is provided only for payments made directly by federal, state, or local governments.*

***Summary of Bill:***

*Nonprofit health or social welfare organization are exempt from business and occupation tax on payments received from organizations under contract with the federal or state government to manage health benefits for medicare, medical assistance, children's health, or the basic health plan.*

*The exemption applies to taxes collected after the effective date of the bill, including amounts from reporting periods before the effective date of the bill.*

***Appropriation:*** *None.*

***Fiscal Note:*** *Requested on February 06, 2001.*

***Effective Date:*** *The bill contains an emergency clause and takes effect immediately.*