

SENATE BILL REPORT

SB 5102

As Passed Senate, April 5, 2001

Title: An act relating to sales and use taxation of nonprofit hospitals.

Brief Description: Encouraging the development of nonprofit hospitals in rural counties through sales tax exemptions.

Sponsors: Senators Snyder, Rasmussen, T. Sheldon, Gardner, Prentice and McCaslin.

Brief History:

Committee Activity: Ways & Means: 2/15/01, 3/26/01 [DP].

Passed Senate: 4/5/01, 45-0.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Brown, Chair; Constantine, Vice Chair; Fairley, Vice Chair; Fraser, Hewitt, Honeyford, Kline, Kohl-Welles, Long, Parlette, Rasmussen, Regala, Roach, Rossi, Sheahan, B. Sheldon, Snyder, Spanel, Thibaudeau, Winsley and Zarelli.

Staff: Terry Wilson (786-7433)

Background: The sales tax is paid on each retail sale of most articles of tangible personal property and certain services. Taxable services include construction, repair, telephone, lodging of less than 30 days, physical fitness, and some amusement and recreation services. The use tax is imposed on the use of articles of tangible personal property when the sale or acquisition has not been subject to the sales tax. The use tax commonly applies to purchases made from out-of-state firms.

In respect to construction, sales and use tax exemptions exist for:

- Materials, labor, and services related to the construction of new and existing structures used for agricultural employee housing, construction of warehouse or grain elevators, and construction of structures used to reduce field burning;
- Materials sold to nonprofit health or social welfare organizations for new construction of alternative housing for youth in crisis; and
- Labor and services used for local and federal highway construction.

Summary of Bill: Materials, labor, and services used in constructing new structures, or expanding or renovating existing structures for the purpose of increasing floor space or patient capacity, for use as a nonprofit hospital in a rural county is exempt from sales and use tax. Sales of machinery and equipment related to the structures are also exempt. The structures and the machinery and equipment must be financed with money donated to the

nonprofit hospital for such construction and acquisition. Application must be made before initiation of the construction or acquisition of the machinery or equipment.

Machinery and equipment is defined to include tangible personal property of a capital nature which has a useful life of one year or more that is of the type that would be depreciated for federal income tax purposes. The hospital must be exempt from federal income tax under section 501(c)(3) of the federal Internal Revenue Code of 1986. Rural county is defined as county with a population density of less than one hundred persons per square mile.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: St. John's Medical Center provides health care to over 200,000 people. Services are provided without regard to ability to pay, and there is a large proportion of uninsured and Medicaid patients in the area. St. John's provides \$4 million in charity care every year. The last renovation was done with borrowed money and operations money. It would not qualify under the bill. The fiscal note assumes that it would and is too high. Donations are now being solicited for a regional cancer center and a women's health center. They would benefit under this bill.

Testimony Against: None.

Testified: PRO: Gerrie Booth, PeaceHealth.