
SUBSTITUTE HOUSE BILL 1624

State of Washington

57th Legislature

2001 Regular Session

By House Committee on Finance (originally sponsored by Representatives Morris, Cairnes, Reardon, Conway, Dunshee, Ogden, Pennington, Van Luven, Doumit, Voloria, Dickerson, Fromhold, Anderson and Edwards)

Read first time . Referred to Committee on .

1 AN ACT Relating to the business and occupation tax deduction for
2 health or social welfare services as applied to government-funded
3 health benefits paid through managed care organizations; amending RCW
4 82.04.4297; creating new sections; and declaring an emergency.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** The legislature finds that the deduction
7 under the business and occupation tax statutes for compensation from
8 public entities for health or social welfare services was intended to
9 provide government with greater purchasing power when government
10 provides financial support for the provision of health or social
11 welfare services to benefited classes of persons. The legislature also
12 finds that both the legislature and the United States congress have in
13 recent years modified government-funded health care programs to
14 encourage participation by beneficiaries in highly regulated managed
15 care programs operated by persons who act as intermediaries between
16 government entities and health or social welfare organizations. The
17 legislature further finds that the objective of these changes is again
18 to extend the purchasing power of scarce government health care
19 resources, but that this objective would be thwarted to a significant

1 degree if the business and occupation tax deduction were lost by health
2 or social welfare organizations solely on account of their
3 participation in managed care for government-funded health programs.
4 In keeping with the original purpose of the health or social welfare
5 deduction, it is desirable to ensure that compensation received from
6 government sources through contractual managed care programs also be
7 deductible.

8 **Sec. 2.** RCW 82.04.4297 and 1988 c 67 s 1 are each amended to read
9 as follows:

10 In computing tax there may be deducted from the measure of tax
11 amounts received from the United States or any instrumentality thereof
12 or from the state of Washington or any municipal corporation or
13 political subdivision thereof as compensation for, or to support,
14 health or social welfare services rendered by a health or social
15 welfare organization or by a municipal corporation or political
16 subdivision, except deductions are not allowed under this section for
17 amounts that are received under an employee benefit plan. For purposes
18 of this section, "amounts received from" includes amounts received by
19 a health or social welfare organization that is a nonprofit hospital or
20 public hospital from a managed care organization or other entity that
21 is under contract to manage health care benefits for the federal
22 medicare program authorized under Title XVIII of the federal social
23 security act; for a medical assistance, children's health, or other
24 program authorized under chapter 74.09 RCW; or for the state of
25 Washington basic health plan authorized under chapter 70.47 RCW, to the
26 extent that these amounts are received as compensation for health care
27 services within the scope of benefits covered by the pertinent
28 government health care program.

29 NEW SECTION. **Sec. 3.** This act applies to taxes collected after
30 the effective date of this act, including taxes collected on reporting
31 periods prior to the effective date of this act.

32 NEW SECTION. **Sec. 4.** This act is necessary for the immediate
33 preservation of the public peace, health, or safety, or support of the

1 state government and its existing public institutions, and takes effect
2 immediately.

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