
HOUSE BILL 2732

State of Washington

57th Legislature

2002 Regular Session

By Representatives Gombosky, Cairnes, Berkey, Nixon, Morris, Armstrong, Esser, Fromhold, Ogden, Conway, Hunt, Van Luven, Voloria, Romero, Reardon, Edwards, Chase, Morell, Santos, Kenney and Wood

Read first time 01/25/2002. Referred to Committee on Finance.

1 AN ACT Relating to the tax treatment of revenue from federal or
2 state subsidized health care; amending RCW 82.04.4297; adding a new
3 section to chapter 82.04 RCW; creating new sections; and declaring an
4 emergency.

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

6 NEW SECTION. **Sec. 1.** The legislature finds that the provision of
7 health services to those people who receive federal or state subsidized
8 health care benefits by reason of age, disability, or lack of income is
9 a recognized, necessary, and vital governmental function. As a result,
10 the legislature finds that it would be inconsistent with that
11 governmental function to tax amounts received by a public hospital or
12 nonprofit hospital qualifying as a health and social welfare
13 organization, when the amounts are paid under a health service program
14 subsidized by federal or state government. Further, the tax status of
15 these amounts should not depend on whether the amounts are received
16 directly from the qualifying program or through a managed health care
17 organization under contract to manage benefits for a qualifying
18 program. Therefore, the legislature adopts this act to provide a clear

1 and understandable deduction for these amounts, and to provide refunds
2 for taxes paid as specified in section 4 of this act.

3 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.04 RCW
4 to read as follows:

5 A public hospital that is owned by a municipal corporation or
6 political subdivision, or a nonprofit hospital that qualifies as a
7 health and social welfare organization as defined in RCW 82.04.431, may
8 deduct from the measure of tax amounts received as compensation for
9 health care services covered under the federal medicare program
10 authorized under Title XVIII of the federal social security act;
11 medical assistance, children's health, or other program under chapter
12 74.09 RCW; or for the state of Washington basic health plan under
13 chapter 70.47 RCW. The deduction authorized by this section does not
14 apply to amounts received from patient copayments or patient
15 deductibles.

16 **Sec. 3.** RCW 82.04.4297 and 2001 2nd sp.s. c 23 s 2 are each
17 amended to read as follows:

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

1 NEW SECTION. **Sec. 4.** A public hospital owned by a municipal
2 corporation or political subdivision, or a nonprofit hospital that
3 qualifies as a health and social welfare organization under RCW
4 82.04.431, is entitled to:

5 (1) A refund of business and occupation tax paid between January 1,
6 1998, and the effective date of this act on amounts that would be
7 deductible under section 2 of this act; and

8 (2) A waiver of tax liability for accrued, but unpaid taxes that
9 would be deductible under section 2 of this act.

10 NEW SECTION. **Sec. 5.** This act is necessary for the immediate
11 preservation of the public peace, health, or safety, or support of the
12 state government and its existing public institutions, and takes effect
13 immediately.

--- END ---