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SENATE BILL 6750

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State of Washington 57th Legislature

2002 Regular Session

By Senators Jacobsen, Thibaudeau and Kline

Read first time 01/31/2002. Referred to Committee on Ways & Means.

1 AN ACT Relating to a deduction from the taxable income of health  
2 care providers that accept compensation in the form of capitation;  
3 adding a new section to chapter 82.04 RCW; creating a new section; and  
4 providing an effective date.

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

6 NEW SECTION. **Sec. 1.** The legislature finds that the health care  
7 industry has been led by market forces and government regulation to  
8 consolidate the pricing and billing for services performed by diverse  
9 health care providers. The legislature further finds that one method  
10 of attempting to control rates of growth in health care costs has been  
11 to arrange for compensation of certain health care providers in the  
12 form of prepaid, periodic fees measured by the number of patients in  
13 the providers' care, which is called capitation. The legislature also  
14 finds that the public interest is enhanced by these trends in  
15 consolidation and capitated compensation through reduction of costs and  
16 duplicated services. The legislature also finds that, at the same  
17 time, these trends have resulted in a risk of multiplying the business  
18 and occupation tax burdens borne by providers in direct opposition to  
19 public interest in reducing overall health care costs. This risk

1 encourages providers and health carriers to engage in elaborate tax  
2 planning efforts, such that a single economic model of compensation can  
3 result unfairly in unequal tax consequences. It is therefore desirable  
4 to establish that health care providers who receive capitation are  
5 subject to tax only with respect to compensation they retain for  
6 services provided directly by them.

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

9 (1) For purposes of this section, the term "capitation" means a  
10 fixed payment to a health care provider as defined in RCW  
11 48.43.005(16), hospital, or any other person licensed to provide health  
12 care services in the state, or to any entity wholly owned by one or  
13 more such persons, to cover the cost of specified health care services  
14 without regard to the type, value, or frequency of the services  
15 provided.

16 (2) In computing tax there may be deducted from the measure of tax,  
17 by any person who is entitled by contract or otherwise to receive  
18 capitation, amounts derived from capitation that are paid directly or  
19 indirectly to other persons as compensation for health care services  
20 provided by these other persons.

21 NEW SECTION. **Sec. 3.** This act takes effect July 1, 2002.

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