

HOUSE BILL REPORT

HB 1858

As Reported by House Committee On:

Finance

Title: An act relating to the taxation of persons providing chemical dependency services certified by the department of social and health services.

Brief Description: Regarding taxation of persons providing chemical dependency services.

Sponsors: Representatives Morris, McIntire, Gombosky, Cairnes, Roach and Shabro.

Brief History:

Committee Activity:

Finance: 2/25/03, 3/7/03 [DP].

Brief Summary of Bill

- Reduces the business and occupation tax rate from 1.5 to 0.484 percent on certain income received by persons who provide certified intensive inpatient or recovery house residential treatment services for chemical dependency.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 9 members: Representatives Gombosky, Chair; McIntire, Vice Chair; Cairnes, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Ahern, Conway, Morris, Roach and Santos.

Staff: Mark Matteson (786-7145).

Background:

The business and occupation (B&O) tax is Washington State's major business tax. The tax is imposed on the gross receipts of business activities conducted within the state. Revenues are deposited to the state general fund. A business may have more than one B&O tax rate, depending on the types of activities conducted. The rate at which gross receipts derived from the provision of chemical dependency services are taxed is 1.5 percent.

The B&O tax does not permit deductions for the costs of doing business, such as

payments for raw materials and wages of employees. Nonetheless, there are many exemptions for specific types of business activities and certain deductions and credits permitted under the B&O tax statutes.

In addition to exemptions, credits, and deductions, certain activities are taxed under the B&O tax at preferential rates relative to the principal classification rates. For example, while services generally are taxed at a 1.5 percent rate, nonprofit businesses that conduct research and development services are taxed at a rate of 0.484 percent.

The Department of Social and Health Services certifies specialists to provide chemical dependency treatment services in Washington under the Department's Division of Alcohol and Substance Abuse. These persons may receive funding from the state, federal, and, in some cases, local governments to provide such services.

Two forms of chemical dependency treatment are intensive inpatient treatment and recovery house treatment. Intensive inpatient treatment is a highly structured program in a residential setting, and services emphasize alcohol and drug education and individual or group therapy. Recovery house treatment involves social, recreational, and occupational therapy as well as treatment in a residential setting. The recovery house approach emphasizes helping patients to re-enter the community and the outpatient phase of treatment.

Summary of Bill:

The tax rate under the state business and occupation tax is reduced from 1.5 percent to 0.484 percent, with respect to certain income received by persons certified by the Department of Social and Health Services to provide intensive inpatient or recovery house residential treatment services for chemical dependency. The preferential tax rate applies to income received from any federal, state, or local governmental entity by such certified persons.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: The underlying issue of persons that provide a state public service and their taxation rate merits attention at a public hearing. These persons are struggling to make things work.

This bill does not establish a new tax. The bill simply lowers the rate on persons who receive public dollars for the provision of an important service from 1.5 percent to 0.484 percent. These people have a passion for what they do, but because of increasing costs and stagnant reimbursement rates, they are being squeezed and are having difficulty continuing.

We provide not only treatment services, but also transportation and parenting classes as well. Reimbursement rates are only \$66 per day. This bill would add to wages of persons who have advanced degrees, who have a passion, but who are struggling to continue.

Testimony Against: None.

Testified: Representative Morris, prime sponsor; and David Laws and Carey Morris, Prosperity Treatment and Counseling Services.