
Finance Committee

HB 1328

Brief Description: Clarifying that boarding homes are not subject to taxation under chapter 82.04 RCW.

Sponsors: Representatives Fromhold, Cairnes, Sullivan, Veloria, Skinner, Alexander, Morris, Moeller, Benson, Darneille, Linville, Jarrett, Miloscia, Clibborn, Cox, Pettigrew, Clements, McCoy, Campbell, Romero, O'Brien, Talcott, Ahern, Schindler, Hinkle, Hunt, Rockefeller, Wallace, Quall, Conway, Flannigan, Chase, Blake, Simpson, G., Upthegrove, Kenney, Newhouse, Buck, Woods and Bush.

<p>Brief Summary of Bill</p> <ul style="list-style-type: none">• Exempts licensed boarding homes from business and occupation tax.

Hearing Date: 2/5/04

Staff: Rick Peterson (786-7150).

Background:

A licensed boarding home is a facility that provides board and domiciliary care to seven or more residents. Domiciliary care includes assistance with the activities of daily living and assuming general responsibility for the safety and well-being of the resident. Some boarding homes offer limited nursing services and others specialize in serving people with mental health problems, developmental disabilities, or dementia.

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the State, without any deduction for the costs of doing business. The tax is imposed on the gross receipts from all business activities conducted within the State. Although there are several different rates, the most common rates are 0.471 percent for retailing, 0.484 percent for wholesaling, and 1.5 percent for service activity. Businesses that are involved in more than one kind of business activity are required to segregate their income and report under the appropriate tax classification based on the nature of the specific activity

The income derived from the rental of real estate is exempt from the B&O tax. Until recently the Department of Revenue allowed boarding homes with sufficient supporting documentation to separate the charges for renting rooms from the charges for personal and professional services and meals. The Department has now concluded that the primary purpose of assisted living facilities is to provide daily living assistance and care to the aged not the lease of real estate. This means that

boarding homes can no longer separate their charges and must pay B&O tax at the service rate (1.5 percent) on their entire fee. This makes the tax treatment of boarding homes the same as that for nursing homes.

There are some B&O deductions and exemptions that apply in this area. Nonprofit health and social welfare organizations are allowed a deduction from the B&O tax for payments from governmental entities for health or social services. Adult family homes are exempt from B&O taxes.

Summary of Bill:

The licensed boarding homes are exempt from business and occupation tax.

Appropriation: None.

Fiscal Note: Requested on proposed substitutes February 4, 2004.

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