

SENATE BILL REPORT

SB 6631

As of February 5, 2004

Title: An act relating to modifying tax exemptions for blood banks, bone or tissue banks, and comprehensive cancer centers.

Brief Description: Modifying tax exemptions for blood banks, bone or tissue banks, and comprehensive cancer centers.

Sponsors: Senators Zarelli, Prentice, Murray, Rasmussen and Winsley.

Brief History:

Committee Activity: Ways & Means: 2/4/04.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7433)

Background: In 1995, the Legislature expanded the property tax exemption for blood banks to include leased property and to include bone and tissue banks. In addition, 1) a business and occupation tax exemption was provided for income of nonprofit blood, bone, or tissue banks to the extent that it was exempt from federal income tax, and 2) a sales and use tax exemption was provided for nonprofit blood, bone, or tissue banks for the purchase or use of medical supplies, chemicals, or specialized materials. The sales and use tax exemption did not apply to construction materials, office equipment, building equipment, administrative supplies or vehicles.

In 1999, a question arose as to whether the Fred Hutchinson Cancer Research Center qualified as a blood, bone, and tissue bank for purposes of the tax exemptions. Litigation ensued. In 2003, the Thurston County Superior Court ruled that the extension of the exemptions to bone and tissue banks in 1995 was beyond the title of the bill, that the exemptions only applied to nonprofit blood banks, and that the Fred Hutchinson Cancer Research Center was not a nonprofit blood bank.

Summary of Substitute Bill: The nonprofit blood bank exemptions are extended to qualifying blood banks, qualifying bone or tissue banks, and qualifying comprehensive cancer centers. To qualify, the entities must be exempt from federal income tax under section 501 (c)(3) of the federal Internal Revenue Code. Blood banks and bone and tissue banks must be registered pursuant to federal law. A comprehensive cancer center is a cancer center that has written confirmation that it is recognized by the national cancer institute as a comprehensive cancer center.

Substitute Bill Compared to Original Bill: The original bill was not considered.

Appropriation: None.

Fiscal Note: Requested on January 27, 2004.

Effective Date: The bill applies retroactively to August 19, 2003.

Testimony For: When these exemptions were adopted in 1995, there were immediate reduction in charges to physicians. The Department of Revenue originally said the Fred Hutchinson Cancer Research Center qualified. The Superior Court initially said that the Fred Hutchinson Cancer Research Center qualified because of the definition. All resources of the Fred Hutchinson Cancer Research Center are applied to cancer research. The savings from these exemptions will be applied to new research initiatives. We will hire additional staff and purchase additional supplies. The Senate bill should be limited to cancer centers and the House bill to bone and tissue banks to prevent another constitutional issue.

Testimony Against: None.

Testified: PRO: Mike Ryherd, Randy Main, Fred Hutchinson Cancer Research Center; Susie Tracy, WA State Medical Assn.