
HOUSE BILL 1289

State of Washington 59th Legislature 2005 Regular Session

By Representatives Cody and Morrell

Read first time 01/20/2005. Referred to Committee on Health Care.

1 AN ACT Relating to the health care service premium and prepayment
2 tax; and amending RCW 48.14.0201.

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

4 **Sec. 1.** RCW 48.14.0201 and 2004 c 260 s 24 are each amended to
5 read as follows:

6 (1) As used in this section, "taxpayer" means a health maintenance
7 organization as defined in RCW 48.46.020, a health care service
8 contractor as defined in RCW 48.44.010, or a self-funded multiple
9 employer welfare arrangement as defined in RCW 48.125.010.

10 (2) Each taxpayer shall pay a tax on or before the first day of
11 March of each year to the state treasurer through the insurance
12 commissioner's office. The tax shall be equal to the total amount of
13 all premiums and prepayments for health care services received by the
14 taxpayer during the preceding calendar year multiplied by the rate of
15 two percent.

16 (3) Taxpayers shall prepay their tax obligations under this
17 section. The minimum amount of the prepayments shall be percentages of
18 the taxpayer's tax obligation for the preceding calendar year
19 recomputed using the rate in effect for the current year. For the

1 prepayment of taxes due during the first calendar year, the minimum
2 amount of the prepayments shall be percentages of the taxpayer's tax
3 obligation that would have been due had the tax been in effect during
4 the previous calendar year. The tax prepayments shall be paid to the
5 state treasurer through the commissioner's office by the due dates and
6 in the following amounts:

- 7 (a) On or before June 15, forty-five percent;
- 8 (b) On or before September 15, twenty-five percent;
- 9 (c) On or before December 15, twenty-five percent.

10 (4) For good cause demonstrated in writing, the commissioner may
11 approve an amount smaller than the preceding calendar year's tax
12 obligation as recomputed for calculating the health maintenance
13 organization's, health care service contractor's, self-funded multiple
14 employer welfare arrangement's, or certified health plan's prepayment
15 obligations for the current tax year.

16 (5) Moneys collected under this section shall be deposited in the
17 general fund through March 31, 1996, and in the health services account
18 under RCW 43.72.900 after March 31, 1996.

19 (6) The taxes imposed in this section do not apply to:

20 (a) Amounts received by any taxpayer from the United States or any
21 instrumentality thereof as prepayments for health care services
22 provided under Title XVIII (medicare) of the federal social security
23 act.

24 ~~(b) ((Amounts received by any health care service contractor, as
25 defined in RCW 48.44.010, as prepayments for health care services
26 included within the definition of practice of dentistry under RCW
27 18.32.020.~~

28 ~~(e))~~ Participant contributions to self-funded multiple employer
29 welfare arrangements that are not taxable in this state.

30 (7) Beginning January 1, 2000, the state does hereby preempt the
31 field of imposing excise or privilege taxes upon taxpayers and no
32 county, city, town, or other municipal subdivision shall have the right
33 to impose any such taxes upon such taxpayers. This subsection shall be
34 limited to premiums and payments for health benefit plans offered by
35 health care service contractors under chapter 48.44 RCW, health
36 maintenance organizations under chapter 48.46 RCW, and self-funded
37 multiple employer welfare arrangements as defined in RCW 48.125.010.
38 The preemption authorized by this subsection shall not impair the

1 ability of a county, city, town, or other municipal subdivision to
2 impose excise or privilege taxes upon the health care services directly
3 delivered by the employees of a health maintenance organization under
4 chapter 48.46 RCW.

5 (8) The taxes imposed by this section apply to a self-funded
6 multiple employer welfare arrangement only in the event that they are
7 not preempted by the employee retirement income security act of 1974,
8 as amended, 29 U.S.C. Sec. 1001 et seq. The arrangements and the
9 commissioner shall initially request an advisory opinion from the
10 United States department of labor or obtain a declaratory ruling from
11 a federal court on the legality of imposing state premium taxes on
12 these arrangements. If there has not been a final determination by the
13 United States department of labor or a federal court that the taxes are
14 not preempted by federal law, the taxes provided for in this section
15 become effective on March 1, 2005, or thirty days following the
16 issuance of a certificate of authority, whichever is later. During the
17 time period between March 1, 2005, or thirty days following the
18 issuance of a certificate of authority, whichever is later, and the
19 final determination by the United States department of labor or a
20 federal court, any taxes shall be deposited in an interest bearing
21 escrow account maintained by the (~~(self-funded))~~) self-funded multiple
22 employer welfare arrangement. Upon a final determination that the
23 taxes are not preempted by the employee retirement income security act
24 of 1974, as amended, 29 U.S.C. Sec. 1001 et seq., all funds in the
25 interest bearing escrow account shall be transferred to the state
26 treasurer.

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