
Ways & Means Committee

HB 1224

Brief Description: Providing a business and occupation tax deduction for amounts related to the provision of mental health services.

Sponsors: Representatives Green, Dammeier, Cody, Appleton, Darneille, Harris and Roberts.

Brief Summary of Bill

- Provides a deduction from business and occupation tax to regional support networks and nonprofit mental health service providers for amounts received under a government funded mental health program.

Hearing Date: 2/1/11

Staff: Rick Peterson (786-7150).

Background:

Washington's major business tax is the business and occupation (B&O) tax. This tax is imposed on the gross receipts of business activities conducted within the state. Nonprofit organizations pay B&O tax unless specifically exempted by statute. Exemption from federal income tax does not automatically provide exemption from state taxes.

Nonprofit health or social welfare organizations are allowed a deduction under the B&O tax for payments from governmental entities for health or social services. Examples include: health care; mental health, family, drug, and alcoholism counseling and treatment; services for the sick, elderly, and disabled; day care; vocational training and employment services; legal services for the indigent; and services for low-income homeowners and renters. The B&O tax deduction by health or social welfare organizations is provided only for payments made directly by federal, state, or local governments.

The Department of Social and Health Services (DSHS) contracts with Regional Support Networks (RSNs) to oversee the delivery of mental health services for adults and children who

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suffer from mental illness or severe emotional disturbance. The RSNs contract with local providers to provide an array of mental health services, monitor the activities of local providers, and oversee the distribution of funds under the state managed care plan. A regional support network may be a county, group of counties, or a nonprofit or for-profit entity. The B&O deduction is only available for amounts received directly from a government.

Summary of Bill:

A deduction from business and occupation tax is provided to nonprofit health or welfare organizations for amounts received from regional support networks RSNs for compensation for mental health services provided under a government funded health program.

A deduction from business and occupation tax is provided to RSNs for amounts received from a government for distribution to a nonprofit health or social welfare organization for the provision of government funded mental health services.

Deductions apply to amounts received starting August 1, 2011.

Appropriation: None.

Fiscal Note: Requested on January 26, 2011.

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