

FINAL BILL REPORT

2ESHB 1224

C 19 L 11 E1
Synopsis as Enacted

Brief Description: Concerning a business and occupation tax deduction for amounts received with respect to mental health services.

Sponsors: House Committee on Ways & Means (originally sponsored by Representatives Green, Dammeier, Cody, Appleton, Darneille, Harris and Roberts).

House Committee on Ways & Means
Senate Committee on Ways & Means

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; daycare; 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 contracts with Regional Support Networks (RSNs) to oversee the delivery of mental health services for adults and children who 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 RSN may be a county, group of counties, or a nonprofit or for-profit entity. The B&O deduction is only available to non-profit health or social welfare organizations for amounts received directly from a government. It is not available when the amounts are received from a for-profit RSN.

Summary:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

A deduction from B&O tax is provided to nonprofit health or welfare organizations for amounts received from RSNs for compensation for mental health services provided under a government funded health program.

A deduction from B&O 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.

The deduction applies to amounts received starting August 1, 2011.

Votes on Final Passage:

House 92 5

First Special Session

House 83 5

Senate 44 0 (Senate amended)

House 85 2 (House concurred)

Effective: August 24, 2011