

SENATE BILL REPORT

ESHB 1224

As Reported by Senate Committee On:
Ways & Means, April 1, 2011

Title: An act relating to a business and occupation tax deduction for amounts received with respect to mental health services.

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).

Brief History: Passed House: 3/05/11, 92-5.

Committee Activity: Ways & Means: 4/01/11 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Murray, Chair; Kilmer, Vice Chair, Capital Budget Chair; Zarelli, Ranking Minority Member; Parlette, Ranking Minority Member Capital; Baumgartner, Baxter, Brown, Conway, Fraser, Hewitt, Holmquist Newbry, Honeyford, Kastama, Keiser, Kohl-Welles, Pflug, Pridemore, Regala, Rockefeller and Schoesler.

Staff: Dianne Criswell (786-7433)

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 the B&O tax unless specifically exempt 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.

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.

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. An RSN 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 the 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.

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

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Companion SB 5382: PRO: This bill addresses the unique provision of mental health services in Pierce County after the county opted to no longer operate the RSN. Under the bill, Optim would continue to pay B&O on the amounts retained for administrative purposes, but the amounts passed through would be deductible. We are seeking a technical amendment.

Persons Testifying: PRO: Senator Regala; Dave Knutson, Optim Health.