

# SENATE BILL REPORT

## SB 5382

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As of February 24, 2011

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

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

**Sponsors:** Senators Regala, Carrell, Kastama, Parlette and Shin.

**Brief History:**

**Committee Activity:** Ways & Means: 2/23/11.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Dianne Criswell (786-7433)

**Background:** Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. Revenues are deposited in the state General Fund. A business may have more than one B&O tax rate, depending on the types of activities conducted. There are a number of different rates. The main rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.8 percent for professional and personal services, and activities not classified elsewhere until June 30, 2013 (at which time the 0.3 percent rate surcharge expires and the B&O rate for service and other category is 1.5 percent thereafter).

A deduction from B&O tax is allowed for nonprofit organizations or local government entities for amounts from federal, state, or local governments for the support of health or social welfare services. Examples of services include mental health, drug, or alcoholism counseling or treatment; family counseling; health care services; services for the care of the sick, aged, or physically, developmentally, or emotionally-disabled individuals; the prevention of juvenile delinquency or child abuse; care of orphans or foster children; day care of children; and employment development, training, and placement. The legislative intent of the deduction is to provide government with greater purchasing power when the government provides financial support for the provision of health or social welfare services.

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*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 (DSHS) contracts with Regional Support Networks (RSNs) for the provision of mental health services. RSNs then contract with local providers for direct mental health services. Prior to 2008 RSNs were required to be nonprofit entities and many RSNs were county-owned and operated. In 2007 the Pierce County RSN terminated its contract with DSHS. In 2008 the definition of "regional support network" was amended to permit an RSN to be a for-profit entity.

**Summary of Bill:** A health or social welfare nonprofit organization may deduct from the measure of B&O tax amounts received from a regional support network as compensation for mental health services provided to an individual covered under a government-funded health program.

RSNs may deduct from the measure of B&O tax amounts received from a governmental entity for distribution to a health or social welfare organization for the provision of mental health services.

**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:** 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, prime sponsor; Dave Knutson, Optim Health.