

# SENATE BILL REPORT

## SB 5465

---

---

As of February 21, 2011

**Title:** An act relating to creating the safety net assessment to fund services for people with developmental disabilities.

**Brief Description:** Creating the safety net assessment to fund services for people with developmental disabilities.

**Sponsors:** Senators Keiser, Delvin, Kline, White, McAuliffe and Conway.

**Brief History:**

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

---

### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Megan Atkinson (786-7446)

**Background:** The business and occupation (B&O) tax is Washington's largest business tax. The tax is imposed on the gross receipts of business activities conducted within the state. Revenues are deposited to the state General Fund. Depending on the types of activities conducted, a business may have more than one B&O tax rate.

The state public utility tax (PUT) applies to public service businesses and is applied to the gross receipts of the business. The tax rate depends on the business classification. Classifications include distribution of water at 5.029 percent; generation and distribution of electrical power at 3.873 percent; telegraph, distribution of natural gas, and collection of sewerage at 3.852 percent; urban transportation and watercraft vessels at 0.642 percent; hauling of logs at 1.3696 percent; and railroads and motor transportation at 1.926 percent.

Neither the PUT nor the B&O tax permits deductions for the costs of doing business, such as payments for raw materials and wages of employees. A number of exemptions, credits, deductions, and other preferences have been enacted for specific types of business activities under the PUT and the B&O tax statutes. For example, B&O taxpayers with annual taxable service activity under \$46,667; and PUT taxpayers with annual taxable activity under \$24,000 do not have to file tax returns. Businesses that pay the PUT are exempt from the B&O tax on the same activity.

---

*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 B&O tax provides a deduction of government payments made to nonprofit businesses that provide health care services and therapeutic, diagnostic, rehabilitative, or restorative services for the care of the sick, aged, physically disabled, developmentally disabled, or emotionally disabled individuals. The PUT does not have a similar exemption.

Community residential service businesses provide habilitation, instruction, and support to persons with developmental disabilities (DD) who live in their own homes. DD community residential services include supported living, state operated living alternative, and group homes. Support provided to clients may vary from a few hours per month up to 24 hours per day of one-to-one support. Clients pay for their own rent, food, and other personal expenses.

DD community residential providers are paid a client-specific rate that includes administrative costs, transportation, direct care costs, and professional services. The direct care staff component of individual client rates are based on a benchmark rate. Data used to arrive at the determination of the benchmarks includes average wage, cost of living, and labor statistics that identified county or regional variations. In 1999 benchmark rates were segregated into three categories to reflect provider input on the differential cost of administration, operations, and direct care staff wages.

**Summary of Bill:** Community residential service businesses are added to the public utility tax at a rate of 5.029 percent. Of the revenue from the tax on community residential services, 80.5 percent is deposited into the new Community Residential Investment Account. Money in this account may be used to increase rates paid to community residential service businesses over amounts provided in the budget bill adopted in 2009 and to increase compensation to staff providing habilitative instruction and support services.

**Appropriation:** None.

**Fiscal Note:** Available.

[OFM requested ten-year cost projection pursuant to I-960.]

**Committee/Commission/Task Force Created:** No.

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