
ENGROSSED SUBSTITUTE HOUSE BILL 1224

State of Washington

62nd Legislature

2011 Regular Session

By House Ways & Means (originally sponsored by Representatives Green, Dammeier, Cody, Appleton, Darneille, Harris, and Roberts)

READ FIRST TIME 02/25/11.

1 AN ACT Relating to a business and occupation tax deduction for
2 amounts received with respect to mental health services; amending RCW
3 82.04.4297 and 82.04.431; adding a new section to chapter 82.04 RCW;
4 creating a new section; and providing an expiration date.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.04 RCW
7 to read as follows:

8 (1) A health or social welfare organization may deduct from the
9 measure of tax amounts received from a regional support network as
10 compensation for mental health services provided under a government-
11 funded program.

12 (2) A person claiming a deduction under this section must file a
13 complete annual report with the department under RCW 82.32.534.

14 (3) The definitions in this subsection apply to this section.

15 (a) "Health or social welfare organization" has the meaning
16 provided in RCW 82.04.431.

17 (b) "Mental health services" and "regional support network" have
18 the meanings provided in RCW 71.24.025.

19 (4) This section expires August 1, 2016.

1 **Sec. 2.** RCW 82.04.4297 and 2002 c 314 s 3 are each amended to read
2 as follows:

3 In computing tax there may be deducted from the measure of tax
4 amounts received from the United States or any instrumentality thereof
5 or from the state of Washington or any municipal corporation or
6 political subdivision thereof as compensation for, or to support,
7 health or social welfare services rendered by a health or social
8 welfare organization, as defined in RCW 82.04.431, or by a municipal
9 corporation or political subdivision, except deductions are not allowed
10 under this section for amounts that are received under an employee
11 benefit plan.

12 **Sec. 3.** RCW 82.04.431 and 2008 c 137 s 1 are each amended to read
13 as follows:

14 (1) (~~(For the purposes of RCW 82.04.4297, 82.04.4311, 82.08.02915,~~
15 ~~82.12.02915, and 82.08.997,)) The term "health or social welfare~~
16 organization" means an organization, including any community action
17 council, which renders health or social welfare services as defined in
18 subsection (2) of this section, which is a domestic or foreign not-for-
19 profit corporation under chapter 24.03 RCW and which is managed by a
20 governing board of not less than eight individuals none of whom is a
21 paid employee of the organization or which is a corporation sole under
22 chapter 24.12 RCW. Health or social welfare organization does not
23 include a corporation providing professional services as authorized in
24 chapter 18.100 RCW. In addition a corporation in order to be exempt
25 under RCW 82.04.4297 (~~(shall)~~) must satisfy the following conditions:

26 (a) No part of its income may be paid directly or indirectly to its
27 members, stockholders, officers, directors, or trustees except in the
28 form of services rendered by the corporation in accordance with its
29 purposes and bylaws;

30 (b) Salary or compensation paid to its officers and executives must
31 be only for actual services rendered, and at levels comparable to the
32 salary or compensation of like positions within the public service of
33 the state;

34 (c) Assets of the corporation must be irrevocably dedicated to the
35 activities for which the exemption is granted and, on the liquidation,
36 dissolution, or abandonment by the corporation, may not inure directly

1 or indirectly to the benefit of any member or individual except a
2 nonprofit organization, association, or corporation which also would be
3 entitled to the exemption;

4 (d) The corporation must be duly licensed or certified where
5 licensing or certification is required by law or regulation;

6 (e) The amounts received qualifying for exemption must be used for
7 the activities for which the exemption is granted;

8 (f) Services must be available regardless of race, color, national
9 origin, or ancestry; and

10 (g) The director of revenue (~~shall~~) must have access to its books
11 in order to determine whether the corporation is exempt from taxes
12 within the intent of RCW 82.04.4297 and this section.

13 (2) The term "health or social welfare services" includes and is
14 limited to:

15 (a) Mental health, drug, or alcoholism counseling or treatment;

16 (b) Family counseling;

17 (c) Health care services;

18 (d) Therapeutic, diagnostic, rehabilitative, or restorative
19 services for the care of the sick, aged, or physically,
20 developmentally, or emotionally-disabled individuals;

21 (e) Activities which are for the purpose of preventing or
22 ameliorating juvenile delinquency or child abuse, including
23 recreational activities for those purposes;

24 (f) Care of orphans or foster children;

25 (g) Day care of children;

26 (h) Employment development, training, and placement;

27 (i) Legal services to the indigent;

28 (j) Weatherization assistance or minor home repair for low-income
29 homeowners or renters;

30 (k) Assistance to low-income homeowners and renters to offset the
31 cost of home heating energy, through direct benefits to eligible
32 households or to fuel vendors on behalf of eligible households;

33 (l) Community services to low-income individuals, families, and
34 groups, which are designed to have a measurable and potentially major
35 impact on causes of poverty in communities of the state; and

36 (m) Temporary medical housing, as defined in RCW 82.08.997, if the
37 housing is provided only:

1 (i) While the patient is receiving medical treatment at a hospital
2 required to be licensed under RCW 70.41.090 or at an outpatient clinic
3 associated with such hospital, including any period of recuperation or
4 observation immediately following such medical treatment; and
5 (ii) By a person that does not furnish lodging or related services
6 to the general public.

7 NEW SECTION. **Sec. 4.** This act applies to amounts received by a
8 health or social welfare organization on or after August 1, 2011.

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