
SECOND ENGROSSED SUBSTITUTE HOUSE BILL 1224

State of Washington 62nd Legislature 2011 1st Special 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 as compensation for providing mental
10 health services under a government-funded program.

11 (2) A person may deduct from the measure of tax amounts received
12 from the state of Washington for distribution to a health or social
13 welfare organization that is eligible to deduct the distribution under
14 subsection (1) of this section.

15 (3) A person claiming a deduction under this section must file a
16 complete annual report with the department under RCW 82.32.534.

17 (4) The definitions in this subsection apply to this section.

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

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

3 (5) This section expires August 1, 2016.

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

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

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

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

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

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

1 (c) Assets of the corporation must be irrevocably dedicated to the
2 activities for which the exemption is granted and, on the liquidation,
3 dissolution, or abandonment by the corporation, may not inure directly
4 or indirectly to the benefit of any member or individual except a
5 nonprofit organization, association, or corporation which also would be
6 entitled to the exemption;

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

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

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

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

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

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

19 (b) Family counseling;

20 (c) Health care services;

21 (d) Therapeutic, diagnostic, rehabilitative, or restorative
22 services for the care of the sick, aged, or physically,
23 developmentally, or emotionally-disabled individuals;

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

27 (f) Care of orphans or foster children;

28 (g) Day care of children;

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

30 (i) Legal services to the indigent;

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

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

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

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

3 (i) While the patient is receiving medical treatment at a hospital
4 required to be licensed under RCW 70.41.090 or at an outpatient clinic
5 associated with such hospital, including any period of recuperation or
6 observation immediately following such medical treatment; and

7 (ii) By a person that does not furnish lodging or related services
8 to the general public.

9 NEW SECTION. **Sec. 4.** This act applies to amounts received by a
10 taxpayer on or after August 1, 2011.

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