H-1350.1

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**HOUSE BILL 2026**

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**State of Washington 64th Legislature 2015 Regular Session**

**By** Representative Haler

AN ACT Relating to providing a business and occupation tax credit for certain medical facilities to hire physicians; adding a new section to chapter 82.04 RCW; and creating a new section.

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

NEW SECTION. **Sec.**  (1) The legislature finds that eastern Washingtonians, especially those who live in rural communities, find it challenging to access health care services. The legislature further finds rural residents must often travel to seek medical attention, which may impair outcomes by increasing patients' physical and emotional stress, reducing the likelihood of seeking follow-up care, and limiting the proximate family support. The legislature further finds many of these challenges are due to a chronic shortage of medical professionals who practice in eastern Washington. The legislature further finds that available data suggests medical professionals are likely to establish their practice within the vicinity of their medical residency program. The legislature further finds the cost of providing a medical residency program and hiring residents is prohibitive to many hospitals.

(2)(a) This section is the tax preference performance statement for the tax preference contained in section 2 of this act. This performance statement is only intended to be used for subsequent evaluation of the tax preference. It is not intended to create a private right of action by any party or be used to determine eligibility for preferential tax treatment.

(b) The legislature categorizes this tax preference as one intended to induce certain designated behavior by taxpayers, as indicated in RCW 82.32.808(2)(a).

(c) It is the legislature's specific public policy objective to encourage eastern Washington medical facilities to offer resident physician opportunities by easing the financial burden of providing medical residency programs. It is the legislature's intent to provide tax relief to any medical facility in eastern Washington that employs a resident physician for a duration of at least one year with a salary of no less than forty thousand dollars per year.

(d) If a review finds that the number of physicians who complete their residency program in eastern Washington has increased by at least twenty percent within the first ten years after the enactment of this tax preference, then the legislature intends to extend the expiration date of the tax preference.

(e) In order to obtain the data necessary to perform the review in (d) of this subsection, the joint legislative audit and review committee may refer to:

(i) Wage and employment data available from the employment security department; and

(ii) The application a taxpayer claiming the tax credit provided in section 2 of this act must file with the department of revenue.

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

(1)(a) In computing the tax imposed under this chapter, a taxpayer is allowed a credit of five thousand dollars against the tax due that may be claimed in reporting periods subsequent to the first twelve consecutive months of employment of a resident physician who is hired for a full-time employment position with a salary of no less than forty thousand dollars per year after the effective date of this section.

(b) A person may claim the credit under this section only against taxes originally due and reported to the department on or after the date that the employment position is filled. The amount of credit claimed for a reporting period may not exceed the lesser of twenty-five thousand dollars per calendar year or the tax otherwise due under this chapter for the reporting period. No refunds may be granted for credits under this section.

(c) The department must maintain a running total of all credits claimed under this section during each calendar year. The department may not allow any credit which would cause the total amount of credit claimed under this section to exceed the cap of this program provided in (b) of this subsection. If all or part of the application for credit is disallowed under this subsection, the disallowed portion is carried over to the next calendar year. However, the carryover into the next calendar year is only permitted to the extent that the cap for the next calendar year is not exceeded. The department must provide written notice to any taxpayer who has claimed tax credits in excess of the cap in (b) of this subsection. The notice must indicate the amount of tax due and provide that the tax be paid within thirty days from the date of such notice. The notice must also advise the taxpayer that the unused credit can be claimed in the next calendar year if the amount does not exceed the cap for the next calendar year. The department may not assess penalties and interest as provided in chapter 82.32 RCW on the amount due in the initial notice, if the amount due is paid by the due date specified in the notice, or any extension thereof. No refunds may be granted for credits under this section.

(d) Prior to hiring a resident physician on or after July 1, 2015, an application must be filed electronically with the department to claim the credit under this section. The application must specify the number of resident physicians employed by the taxpayer prior to the hiring of a resident physician on or after July 1, 2015.

(e) To claim a credit under this section, the number of resident physicians employed by the taxpayer must be greater than the number of resident physicians indicated on the application.

(f) To claim a credit under this section, the taxpayer must electronically file with the department all returns, forms, and any other information required by the department, in an electronic format as provided or approved by the department. Any return, form, or information required to be filed in an electronic format under this section is not filed until received by the department in an electronic format. As used in this subsection, "return" has the same meaning as "return" in RCW 82.32.050.

(g) A credit is authorized only for eligible resident physicians hired for full-time employment positions where the hiring takes place on or after July 1, 2015.

(2) If at any time the department finds that a resident physician does not qualify the taxpayer for the credit under this section for any reason, the amount of taxes for which a credit has been claimed for which the taxpayer was not eligible for the credit is immediately due. The department must assess interest, but not penalties, on the taxes for which the taxpayer is not eligible. The interest must be assessed at the rate provided for delinquent excise taxes under chapter 82.32 RCW, assessed retroactively to the date the tax credit was claimed, and must accrue until the taxes for which a credit has been used are repaid.

(3) The definitions in this subsection apply throughout this section.

(a) "Calendar year" means the twelve-month period beginning January 1st and ending the following December 31st.

(b) "Full-time" means at least thirty-five hours a week, four hundred fifty-five hours a quarter, or one thousand eight hundred twenty hours a year.

(c) "Full-time employment position" means a full-time employee, who is employed for at least twelve consecutive months. Once a full-time employee has been hired, a position does not cease to be a full-time employment position solely due to periods in which the position goes vacant, as long as:

(i) The cumulative period of any vacancies in that position is not more than one hundred twenty days in the fiscal year;

(ii) During a vacancy, the taxpayer is training or actively recruiting a replacement; and

(iii) The vacancy is filled by a full-time employee who is a resident physician at the time of hire.

(d) "Resident physician," "physician," and "employee" means:

(i) A "resident physician" as defined in RCW 18.71.010; or

(ii) An individual who:

(A) Has graduated from an accredited school of osteopathic medicine and surgery approved by the Washington state board of osteopathic medicine and surgery; and

(B) Is serving a period of clinical postgraduate medical training in a postgraduate program approved by the Washington state board of osteopathic medicine and surgery. For purposes of this section, "resident physician" includes individuals designated as intern or medical fellow.

(e) "Taxpayer" means any medical facility:

(i) Located in a county east of the crest of the Cascade mountain range; and

(ii) That provides postgraduate clinical medical training in a postgraduate program approved by either the Washington state medical quality assurance commission or the Washington state board of osteopathic medicine and surgery.

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