
Finance Committee

HB 2028

Brief Description: Concerning a business and occupation tax deduction for chemical dependency services provided by a health or social welfare organization.

Sponsors: Representatives Cody and Muri.

Brief Summary of Bill

- Provides a business and occupation tax deduction for amounts received by a nonprofit health or social welfare organization for providing chemical dependency services under a government funded program.
- Extends the expiration date for the business and occupation tax for amounts received by a nonprofit health or social welfare organization or a behavioral health organization for providing mental health services under a government funded program from August 1, 2016 to January 1, 2020.

Hearing Date: 2/20/15

Staff: Richelle Geiger (786-7175).

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. The tax is imposed on the gross receipts from all business activities conducted within the state. Revenues are deposited in the State General Fund. There are several rate categories, and a business may be subject to more than one B&O tax rate, depending on the types of activities conducted. Current law authorizes multiple exemptions, deductions and credits to reduce the B&O tax liability for specific taxpayers and business industries.

Under current law, non-profit health or social welfare organizations and behavioral health organizations may qualify for a B&O tax deduction for amounts received for providing mental

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health services under a government-funded program (mental health services B&O deduction). This tax deduction is scheduled to expire on August 1, 2016.

Summary of Bill:

The mental health services B&O tax deduction is expanded, enabling non-profit health or social welfare organizations to qualify for a B&O tax deduction for amounts received for providing chemical dependency services under a government funded program. Chemical dependency means alcoholism, drug addiction, or dependency on alcohol or more than one psychoactive chemicals. Chemical dependency program means expenditures and activities of the Department of Social and Health Services designed and conducted to prevent or treat alcoholism and other drug addiction, including reasonable administration and overhead.

The expiration date for the B&O tax deduction is extended from August 1, 2016 to January 1, 2020.

Appropriation: None.

Fiscal Note: Requested on February 13, 2015.

Effective Date: The bill takes effect on April 1, 2016.