

SENATE BILL REPORT

SB 6477

As of February 26, 2016

Title: An act relating to a business and occupation tax deduction for chemical dependency services provided by a health or social welfare organization.

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

Sponsors: Senators Dammeier, Conway, O'Ban, Darneille and Angel.

Brief History:

Committee Activity: Human Services, Mental Health & Housing: 2/01/16, 2/04/16 [DPS-WM].

Ways & Means: 3/03/16.

SENATE COMMITTEE ON HUMAN SERVICES, MENTAL HEALTH & HOUSING

Majority Report: That Substitute Senate Bill No. 6477 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators O'Ban, Chair; Miloscia, Vice Chair; Darneille, Ranking Minority Member; Hargrove and Padden.

Staff: Kevin Black (786-7747)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Juliana Roe (786-7438)

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. Businesses must pay B&O tax even though they may not have any profits or may be operating at a loss. A business may have more than one B&O tax rate, depending on the types of activities conducted. Major tax rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent for specific types of business activities and certain deductions and credits permitted under the B&O tax statutes.

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.

A behavioral health organization (BHO) is a county authority, or group of county authorities, which contracts with the state to provide a network of mental health and chemical dependency services for clients in a defined region of the state. The BHOs pass through Medicaid and non-Medicaid funds to subcontracted providers and function as managed care organizations. A BHO is a successor organization to a regional support network, which until March 31, 2016, provides only mental health services. The first BHOs, which incorporate chemical dependency services, will be formed by contract starting April 1, 2016.

A health or social welfare organization receives a B&O tax deduction for amounts received as compensation for providing mental health services under a government-funded program. A BHO receives a B&O tax deduction for amounts received from the state of Washington for distribution to a health or social welfare organization that is eligible to deduct the distribution. These tax deductions expire August 1, 2016.

Summary of Bill: The B&O tax deduction allowing a BHO and a health or social welfare organization to deduct amounts received for providing mental health services under a government-funded program is expanded to include government funds received for providing chemical dependency services. The expiration date of this deduction is extended to January 1, 2020.

EFFECT OF CHANGES MADE BY HUMAN SERVICES, MENTAL HEALTH & HOUSING COMMITTEE (Recommended Substitute): A tax preference statement is added. "And" is changed to "or," allowing a health or social welfare organization to deduct amounts received under a government program for providing mental health services or chemical dependency services.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect April 1, 2016.

Staff Summary of Public Testimony on Original Bill (Human Services, Mental Health & Housing): PRO: This bill recognizes that chemical dependency is becoming integrated with mental health in BHOs. The bill provides greater mental health services for citizens in Pierce County. Without this exemption, \$1.9 million will be returned to the state by way of the B&O tax, instead of impacting the citizens of Pierce County who need mental health treatment. Pierce County has taken a number of hits over the years. Our RSN lost about \$7 million in cuts last year. If this exemption expires, those funds will come directly out of nonprofit budgets, restricting our ability to deliver care. Providers are already struggling, and can't take another financial hit.

Persons Testifying on Original Bill (Human Services, Mental Health & Housing): PRO: Senator Dammeier, prime sponsor; David Knutson, Optum Health; Terri Card, Greater Lakes Mental Healthcare.

Persons Signed In To Testify But Not Testifying on Original Bill: No one.