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HOUSE BILL 2026

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State of Washington

64th Legislature

2015 Regular Session

By Representative Haler

Read first time 02/06/15. Referred to Committee on Finance.

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

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

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

19 (2)(a) This section is the tax preference performance statement  
20 for the tax preference contained in section 2 of this act. This  
21 performance statement is only intended to be used for subsequent

1 evaluation of the tax preference. It is not intended to create a  
2 private right of action by any party or be used to determine  
3 eligibility for preferential tax treatment.

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

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

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

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

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

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

26 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.04  
27 RCW to read as follows:

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

35 (b) A person may claim the credit under this section only against  
36 taxes originally due and reported to the department on or after the  
37 date that the employment position is filled. The amount of credit  
38 claimed for a reporting period may not exceed the lesser of twenty-  
39 five thousand dollars per calendar year or the tax otherwise due

1 under this chapter for the reporting period. No refunds may be  
2 granted for credits under this section.

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

23 (d) Prior to hiring a resident physician on or after July 1,  
24 2015, an application must be filed electronically with the department  
25 to claim the credit under this section. The application must specify  
26 the number of resident physicians employed by the taxpayer prior to  
27 the hiring of a resident physician on or after July 1, 2015.

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

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

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

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

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

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

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

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

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

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

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

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

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

34 (ii) An individual who:

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

38 (B) Is serving a period of clinical postgraduate medical training  
39 in a postgraduate program approved by the Washington state board of  
40 osteopathic medicine and surgery. For purposes of this section,

1 "resident physician" includes individuals designated as intern or  
2 medical fellow.

3 (e) "Taxpayer" means any medical facility:

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

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

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