
Finance Committee

HB 1483

Brief Description: Extending the business and occupation deduction for government-funded behavioral health services.

Sponsors: Representative Young.

<p>Brief Summary of Bill</p> <ul style="list-style-type: none">• Extends the expiration date for the behavioral health organization business and occupation tax from January 1, 2020 to January 1, 2030
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Hearing Date: 2/26/19

Staff: Richelle Geiger (786-7139).

Background:

Business and Occupation Tax.

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 the B&O tax even though they may not have any profits or may be operating at a loss.

A taxpayer may have more than one B&O tax rate, depending on the types of activities conducted. Major B&O tax rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent for services and for activities not classified elsewhere. Several preferential rates also apply to specific business activities.

In addition, a taxpayer may be eligible to utilize other tax preferences, including credits and deductions, to reduce their tax liability. Currently, a health or social welfare organization receive a B&O deduction for providing mental health services or chemical dependency services under a government-funded program. The same deduction applies to behavioral health organizations for

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amounts received by the State for distribution to a health or social welfare organization that also qualify for the deduction.

Tax Preferences.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

Summary of Bill:

The expiration date for the B&O tax deduction for behavioral health services provided under a government-funded program is extended from January 1, 2020 to January 1, 2030.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.