SENATE BILL REPORT
SB 5990

As of April 1, 2019

Title: An act relating to creating the safety net assessment to fund services for people with developmental disabilities.

Brief Description: Creating the safety net assessment to fund services for people with developmental disabilities.

Sponsors: Senators Rolfes and Conway.

Brief History:
Committee Activity: Ways & Means: 3/28/19.

Brief Summary of Bill

- Adds community residential service businesses to the public utility tax at a rate of 5.029 percent.
- Deposits revenue into a new Developmental Disabilities Community Residential Investment Account, which may be used for payments to community residential service businesses.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Michele Alishahi (786-7433)

Background: Business and Occupation and Public Utility Taxes. The business and occupation (B&O) tax is Washington's largest business tax. The tax is imposed on the gross receipts of business activities conducted within the state. Revenues are deposited to the state general fund. Depending on the types of activities conducted, a business may have more than one B&O tax rate.

The state public utility tax (PUT) applies to public service businesses and is applied to the gross receipts of the business. The tax rate depends on the business classification. Classifications include distribution of water at 5.029 percent; generation and distribution of electrical power at 3.873 percent; telegraph, distribution of natural gas, and collection of sewerage at 3.852 percent; urban transportation and watercraft vessels at 0.642 percent;

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hauling of logs at 1.3696 percent; and railroads and motor transportation at 1.926 percent. All of the rates include an additional 7 percent surcharge.

Neither the PUT nor the B&O tax permits deductions for the costs of doing business, such as payments for raw materials and employees wages. A number of exemptions, credits, deductions, and other preferences have been enacted for specific types of business activities under the PUT and B&O tax statutes. For example, B&O taxpayers with annual taxable service activity under $56,000 and PUT taxpayers with annual taxable activity under $24,000 do not have to file tax returns. Businesses that pay the PUT are exempt from the B&O tax on the same activity.

The B&O tax provides a deduction of government payments made to nonprofit businesses that provide health care services and therapeutic, diagnostic, rehabilitative, or restorative services for the care of the sick, aged, physically disabled, developmentally disabled, or emotionally disabled individuals. The PUT does not have a similar exemption.

<u>Community Residential Service Businesses.</u> The Department of Social and Health Services (DSHS), Developmental Disabilities Administration (DDA) provides contracted community residential services for clients who meet Medicaid eligibility requirements. A community residential service business means a business certified or licensed by and contracted with the DDA to provide instruction and support to DDA clients. Community residential service businesses include supported living, group homes, group training homes, and licensed staffed residential homes for children.

Community residential services may include assistance with activities of daily living such as bathing, dressing, and eating; instrumental activities of daily living such as meal preparation and ordinary housework; and habilitation services. Depending on client need, services can range from a few hours per month to 24 hours per day. Clients receive services through a Medicaid waiver.

Summary of Bill: Community residential service businesses are added to the PUT at a rate of 5.029 percent.

All of the PUT revenue on community residential services is deposited into the new Developmental Disabilities Community Residential Investment Account. Money in this account may be used for payments to community residential service businesses. DSHS must establish payment rates for community residential service businesses that include the cost of the tax.

The Joint Legislative Audit and Review Committee (JLARC), in consultation with DSHS and the Department of Revenue, must conduct a review of the new tax imposed on community residential service businesses. JLARC must evaluate the benefits of the tax, compliance with the tax, any determinations by the Centers for Medicaid and Medicare Services (CMS) regarding the tax, administrative costs, and any other issues JLARC considers appropriate. JLARC must submit a report to the Legislature by December 1, 2024.

The new tax terminates if an appellate court or CMS determines provisions of the bill may not be validly implemented or if federal matching funds are not available.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony: PRO: Supported living has been chronically underfunded as a model. The system is in crisis. Because of an ongoing lack of funding, it has been a challenge keeping workers in the field. Additional funding would be very helpful to provide better support for clients.

Persons Testifying: PRO: Melissa Johnson, Community Residential Services Association; Iselen Rosvik, citizen; Kari Cunningham-Rosvik, citizen; Vicki Rizzo, citizen; Donna Patrick, Developmental Disabilities Council; David Lord, Disability Rights Washington.

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