
Finance Committee

SSB 5799

Brief Description: Modifying the application of the workforce education investment advanced computing surcharge to provider clinics and affiliated organizations.

Sponsors: Senate Committee on Business, Financial Services & Trade (originally sponsored by Senators Robinson and Lovick).

<p style="text-align: center;">Brief Summary of Substitute Bill</p> <ul style="list-style-type: none">• Exempts provider clinics and affiliated organizations from the workforce education investment surcharge.

Hearing Date: 3/7/22

Staff: Rachelle Harris (786-7137).

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 (businesses with taxable income of less than \$1 million) or 1.75 percent (businesses with taxable income of \$1 million or more) for services and for activities not classified elsewhere. Several preferential rates also apply to specific business activities.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Workforce Investment Surcharge.

A workforce education investment surcharge is applied to the amount of tax payable under the Service and Other Activities B&O tax classification by select advanced computing businesses. A select advanced computing business is a business, or member of an affiliated group, with at least one member engaged in advanced computing and the affiliated group has more than \$25 billion in worldwide gross income in the immediately preceding calendar year. The surcharge is equal to the gross income of the business subject to B&O tax under the Service and Other Activities classification, multiplied by the rate of 1.22 percent. This is in addition to the Service and Other Activities B&O tax rate of 1.5 percent, for a total of 2.72 percent. The amount of surcharge owed by a business or an affiliated group is capped at \$9 million annually. The surcharge does not apply to hospitals.

Tax Preference Performance Statement.

Legislation that establishes or expands a tax preference, such as a tax exemption, deduction, or preferential rate, must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the tax preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. A new tax preference automatically expires after ten years unless an alternative expiration date is provided or the tax preference is exempt from the automatic expiration date in the bill.

Summary of Bill:

The following entities are exempt from the workforce education investment surcharge:

- provider clinics offering primary care, multi-specialty, and surgical services, including behavioral health services; and
- affiliates of the provider clinic if the affiliate is an organization that offers health care services or provides administrative support for a provider clinic, or is an independent practice association or accountable care organization.

The exemption for provider clinics is subject to the automatic 10-year expiration date.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on March 5, 2022.

Effective Date: The bill takes effect on July 1, 2022.