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**Finance Committee**

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**PSHB 1618**

**Brief Description:** Regarding the boarding home business and occupation tax.

**Sponsors:** Representatives Morrell, Orcutt, Cody, McDonald, Armstrong, Clibborn, Grant and Haigh.

<p><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Exempts certain nonprofit boarding homes from B&amp;O taxes.</li></ul>
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**Hearing Date:** 3/4/05

**Staff:** Rick Peterson (786-7150).

**Background:**

A licensed boarding home is a facility that provides board and domiciliary care to seven or more residents. Domiciliary care includes assistance with the activities of daily living and assuming general responsibility for the safety and well-being of the resident. Some boarding homes offer limited nursing services and others specialize in serving people with mental health problems, developmental disabilities, or dementia.

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. The tax is imposed on the gross receipts from all business activities conducted within the state. Although there are several different rates, the most common rates are 0.471 percent for retailing, 0.484 percent for wholesaling, and 1.5 percent for service activity. Businesses that are involved in more than one kind of business activity are required to segregate their income and report under the appropriate tax classification based on the nature of the specific activity.

Licensed boarding homes providing room and domiciliary care to residents pay B&O taxes at a rate of 0.275 percent. Amounts received from the Department of Social and Health Services (DSHS) for adult residential care, enhanced adult residential care, or assisted living services for medicaid recipients are deducted from income before B&O taxes are determined.

**Summary of Bill:**

Nonprofit boarding homes are exempt from B&O taxes on amounts received for providing room and domiciliary care. Eligible nonprofit boarding homes are those operated by religious or

charitable organizations as part of a nonprofit hospital or public hospital district and are exempt from federal income tax as 501(c)(3) organizations.

**Appropriation:** None.

**Fiscal Note:** Requested on March 3, 2005.

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