
HOUSE BILL 2092

State of Washington 62nd Legislature 2011 Regular Session

By Representatives Hasegawa and Roberts

Read first time 04/14/11. Referred to Committee on Ways & Means.

1 AN ACT Relating to funding the basic health plan through a tax on
2 the windfall profits of pharmaceutical companies; adding a new section
3 to chapter 82.04 RCW; creating a new section; and providing an
4 effective date.

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

6 NEW SECTION. **Sec. 1.** (1) The legislature finds that in the
7 process of mitigating a revenue shortfall of approximately ten billion
8 dollars for the 2009-2011 biennium, the state, only two years later,
9 faces another projected revenue shortfall of at least five billion
10 dollars. Many of the programs that were cut by the 2009 and 2010
11 legislative sessions and that are under the threat of further cuts
12 during the 2011 legislative session are due to the current economic
13 recession and the fundamental inadequacies and unfairness of our
14 current revenue structure. These budget cuts threaten the health,
15 safety, and security of a civilized Washington state. Some examples of
16 these cuts are: Dropping forty thousand people off the Washington
17 basic health plan; cutting early childhood education for one thousand
18 five hundred three year olds; cutting all-day kindergarten for children
19 living in poverty; cutting assistance for thirty thousand disabled and

1 unemployable persons; cutting prescription drug assistance for
2 eighty-five thousand seniors; cutting maternity support for fifty
3 thousand high-risk pregnant women; cutting terminal care hospices for
4 two thousand six hundred people; cutting children's health care for
5 sixteen thousand low-income kids; making tuition costs out of reach for
6 average income students; cutting medicaid medical care; and cutting
7 services for mental health care, chemical dependency, home care, child
8 care, public health, foster care, tobacco use prevention, cancer
9 screening, nursing home care, supporting people with developmental
10 disabilities, home visiting, universal vaccinations, hospital care,
11 affordable housing, adult day health, and family planning, among many
12 others.

13 (2) The legislature further finds that the federal stimulus money
14 and accounting procedures used to balance the 2009-11 budget will
15 probably not be available to mitigate any projected revenue shortfall
16 in the 2011-13 budget. Therefore, it is in the best interests of the
17 people of Washington state to mitigate the devastating effects of the
18 aforementioned cuts by looking at new ways to raise revenue for the
19 short term, and to look at long-term solutions to the state's revenue
20 problems. This can be done while at the same time securing fairness,
21 adequacy, and stability within our state revenue structure.

22 (3) It is the legislature's intent with this act to move the state
23 forward with two goals: (a) Raising immediate revenue to mitigate the
24 cruel impacts of draconian budget cuts, with specific emphasis on the
25 basic health plan; and (b) initiating inquiry and proceedings toward
26 long-term solutions to the state's unfair, inadequate, and volatile
27 revenue problems. These goals allow all the people of the state to:
28 Collectively share the financial responsibilities of this recession so
29 that everyone is pitching in to get us all through the recession
30 together; ensure that we leave no one behind; and position our state
31 for recovery by reforming our revenue structure to encourage healthy
32 economic development.

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

35 (1) Subject to subsection (2) of this section, an additional tax is
36 imposed each year for business activities conducted within this state

1 on each person engaged in the manufacturing of drugs. The tax equals
2 the taxable amount reported on the state combined excise tax return for
3 the prior calendar year multiplied by the rate of 1.5 percent.

4 (2) The tax under subsection (1) of this section only applies if
5 the two following requirements are met for any year:

6 (a) The taxpayer reported annual net income in the prior calendar
7 year equal to or greater than five billion dollars; and

8 (b) The annual net income for the prior calendar year was at least
9 fifteen percent of its total revenues for that year. The requirements
10 under this subsection shall be evaluated based on information reported
11 in the drug manufacturer's consolidated financial statements, as
12 prepared according to generally accepted accounting principles, for the
13 prior calendar year.

14 (3) Chapter 82.32 RCW applies to this section except as otherwise
15 provided in this section. The tax imposed under this section must be
16 paid by May 25th, except taxes owed in 2011 are due by September 25th.
17 The department may adopt rules necessary to implement and collect the
18 tax imposed under this section.

19 (4) Taxes collected under this section must be deposited into the
20 general fund to be used exclusively for the basic health plan under
21 chapter 70.47 RCW.

22 (5) The definitions in this subsection apply to this section.

23 (a) "Drug" has the same meaning as provided in RCW 69.41.010.

24 (b) "Manufacturing" and "manufacturer" have the same meaning and
25 usage as provided in this chapter.

26 NEW SECTION. **Sec. 3.** This act takes effect August 1, 2011.

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