
SENATE BILL 5859

State of Washington

62nd Legislature

2011 Regular Session

By Senators Keiser and Pflug

Read first time 02/28/11. Referred to Committee on Health & Long-Term Care.

1 AN ACT Relating to accountability for tax exempt hospitals;
2 amending RCW 84.36.840 and 84.36.040; and creating a new section.

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

4 NEW SECTION. **Sec. 1.** (1) The legislature finds that the property
5 tax exemption for hospitals dates back as far as the year 1854 when
6 benevolent, charitable, literary, and scientific institutions were
7 first exempted from the tax base.

8 (2) The legislature finds that a 2007 report on tax preferences
9 from the joint legislative audit and review committee suggested that it
10 was not clear how well nonprofit hospitals had met expectations for
11 charitable services and community benefits as compared to the
12 performance of private for-profit hospitals and also found mixed
13 results as to whether nonprofit hospitals were providing more charity
14 care as a percent of adjusted revenue than for-profit hospitals not
15 receiving the tax exemption. The same report values the property tax
16 exemption between fifty and sixty million dollars per year for the
17 state's forty-five nonprofit hospitals.

18 (3) The legislature finds that an exemption from property taxes for
19 certain hospitals both: (a) Reduces state funds that would otherwise

1 be available to fund the health care safety net; and (b) requires
2 property owners in those communities to pay a greater share of the
3 local tax burden.

4 (4) It is therefore the intent of the legislature to recognize
5 nonprofit hospitals that are providing essential community benefits
6 while ensuring that compensation packages for nonprofit hospital
7 employees are comparable with other public purpose entities.

8 **Sec. 2.** RCW 84.36.840 and 2007 c 111 s 305 are each amended to
9 read as follows:

10 (1) In order to determine whether organizations, associations,
11 corporations, or institutions, except those exempted under RCW
12 84.36.020 and 84.36.030, are exempt from property taxes, and before the
13 exemption (~~shall be~~) is allowed for any year, the superintendent or
14 manager or other proper officer of the organization, association,
15 corporation, or institution claiming exemption from taxation (~~shall~~)
16 must file with the department of revenue a statement certifying that
17 the income and the receipts thereof, including donations to it, have
18 been applied to the actual expenses of operating and maintaining it, or
19 for its capital expenditures, and to no other purpose. This report
20 (~~shall~~) must also include a statement of the receipts and
21 disbursements of the exempt organization, association, corporation, or
22 institution.

23 (2) Educational institutions claiming exemption under RCW 84.36.050
24 (~~shall~~) must also file a list of all property claimed to be exempt,
25 the purpose for which it is used, the revenue derived from it for the
26 preceding year, the use to which the revenue was applied, the number of
27 students who attended the school or college, the total revenues of the
28 institution with the source from which they were derived, and the
29 purposes to which the revenues were applied, listing the items of such
30 revenues and expenditures in detail.

31 (3) A nonprofit hospital that claims an exemption under RCW
32 84.36.040 must file an unofficial copy of their federal Schedule H form
33 990 with the department within five days of filing the form with the
34 internal revenue service. The department must make each unofficial
35 copy of the federal Schedule H form 990 available for download on the
36 department's web site.

1 (4) The reports required under (~~subsections (1) and (2) of~~) this
2 section may be submitted electronically, in a format provided or
3 approved by the department, or mailed to the department. Except as
4 otherwise provided in subsection (3) of this section, the reports
5 (~~shall~~) must be submitted on or before March 31st of each year. The
6 department (~~shall~~) must remove the tax exemption from the property of
7 any organization, association, corporation, or institution that does
8 not file the required report with the department on or before the due
9 date. However, the department (~~shall~~) must allow a reasonable
10 extension of time for filing upon receipt of a written request on or
11 before the required filing date and for good cause shown therein.

12 **Sec. 3.** RCW 84.36.040 and 2010 c 106 s 305 are each amended to
13 read as follows:

14 (1) The real and personal property used by, and for the purposes
15 of, the following nonprofit organizations is exempt from property
16 taxation:

17 (a) Child day care centers (~~as defined in subsection (4) of this~~
18 ~~section~~);

19 (b) Free public libraries;

20 (c) Orphanages and orphan asylums;

21 (d) Homes for the sick or infirm;

22 (e) Hospitals for the sick that meet the requirements in subsection
23 (4) of this section; and

24 (f) Outpatient dialysis facilities.

25 (2) The real and personal property leased to and used by a hospital
26 for hospital purposes is exempt from property taxation if the hospital
27 is established under chapter 36.62 RCW or is owned and operated by a
28 public hospital district established under chapter 70.44 RCW.

29 (3) To be exempt under this section, the property must be used
30 exclusively for the purposes for which exemption is granted, except as
31 provided in RCW 84.36.805, and the benefit of the exemption must inure
32 to the user.

33 (4)(a) To be exempt under this section, a nonprofit hospital or
34 public hospital district must post the full salary detail, including
35 all forms of wage and nonwage compensation, of its five highest paid
36 officers on a public web site maintained by the Washington state
37 hospital association.

1 (b) The nonprofit hospital or public hospital district has the
2 burden of proof on an annual basis to demonstrate that its five highest
3 paid officers are compensated at levels comparable to like positions
4 within the public service of the state and the department may require
5 adjustment to the salary schedule for purposes of maintaining exempted
6 status under subsection (1) of this section.

7 (5) For purposes of ((~~subsection (1) of~~)) this section, "child day
8 care center" means a nonprofit organization that regularly provides
9 child day care and early learning services for a group of children for
10 periods of less than twenty-four hours.

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