

ORDINANCE NO. 2014-06-031

AN ORDINANCE OF THE CITY OF BELLINGHAM, WASHINGTON REPEALING THE BUSINESS AND OCCUPATIONS TAX EXEMPTION FOR NONPROFIT RELIGIOUS HEALTHCARE PROVIDERS AND ADOPTING CERTAIN HEALTHCARE-SPECIFIC DEDUCTIONS AND EXEMPTIONS CONTAINED IN THE WASHINGTON STATE BUSINESS AND OCCUPATIONS TAX CODE.

WHEREAS, Washington state law authorizes Washington cities to register businesses and to collect fees and taxes, including a gross receipts business and occupation tax ("B&O tax"); and

WHEREAS, the City of Bellingham (the "City") imposes B&O tax upon every person engaging in business activities within the City, subject to certain specific exemptions and deductions, in accordance with Bellingham Municipal Code ("BMC") Chapters 6.04 and 6.05; and

WHEREAS, the City's B&O tax code currently exempts from B&O tax the gross income of nonprofit religious healthcare providers; and

WHEREAS, the City desires to amend its B&O tax code to repeal the B&O tax exemption for nonprofit religious healthcare providers; and

WHEREAS, the City desires to further amend its B&O tax code to adopt certain provisions of the Revised Code of Washington that provide persons operating medical or other healthcare facilities with certain deductions and exemptions from Washington state B&O tax so that these same deductions and exemptions may be claimed against City B&O tax; and

WHEREAS, the City believes that repealing the B&O tax exemption for nonprofit religious healthcare providers and replacing it with certain healthcare-specific deductions and exemptions available under the Washington state B&O tax code will promote fairness and equity among medical and other healthcare facilities engaging in business activities within the City; and

WHEREAS, the City further believes that aligning the healthcare-specific deductions and exemptions available under the City's B&O tax code with those that are available under the Washington state B&O tax code will provide administrative efficiencies in reporting and auditing B&O tax.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BELLINGHAM DOES HEREBY ORDAIN THAT:

Section 1. BMC 6.04.090 is amended as follows:

BMC 6.04.090 - Exemptions

The provisions of this chapter shall not apply to the following:

- A. [UNCHANGED]
- B. [UNCHANGED]
- C. [UNCHANGED]
- D. [UNCHANGED]
- E. [UNCHANGED]
- F. [UNCHANGED]
- G. Health Maintenance Organization, Health Care Service Contractor, Certified Health Plan.

~~1. This chapter does not apply to any health maintenance organization, health care service contractor, or certified health plan in respect to premiums or prepayments that are taxable under RCW 48.14.0201. However, per RCW 48.14.0201(7), this exemption is not intended to, and shall not, impair the city's ability to impose a tax hereunder upon the health care services directly delivered by the employees of a health maintenance organization under Chapter 48.46 RCW.~~

~~2. The gross income received by any religious society, religious association or religious corporation, through the operation of any hospital, clinic, resort or other institution devoted exclusively to the care of healing of human beings; provided, that no exemption is granted where the income therefor inures to the benefit of any physician, surgeon, stockholder, or individual by the virtue of ownership or control of such hospital, clinic, resort, or other institution.~~

- H. [UNCHANGED]
- I. [UNCHANGED]
- J. [UNCHANGED]
- K. [UNCHANGED]
- L. [UNCHANGED]
- M. [UNCHANGED]
- N. [UNCHANGED]

- O. [UNCHANGED]
- P. [UNCHANGED]
- Q. [UNCHANGED]
- R. [UNCHANGED]
- S. [UNCHANGED]
- T. [UNCHANGED]
- U. [UNCHANGED]
- V. [UNCHANGED]
- W. [UNCHANGED]

X. Medical or Other Health Care Facilities. The following provisions of the Revised Code of Washington as presently constituted or hereinafter amended are adopted by reference:

RCW

- 82.04.324 Exemptions - Qualifying blood, tissue, or blood and tissue banks.
- 82.04.326 Exemptions - Qualified organ procurement organizations.
- 82.04.4265 Exemptions - Comprehensive cancer centers.
- 82.04.4289 Exemptions - Compensation for patient services or attendant sales of drugs dispensed pursuant to prescription by certain nonprofit organizations.
- 82.04.620 Exemptions - Certain prescription drugs.

Whenever the term "chapter" is used in the above provisions of the Revised Code of Washington, it shall be considered to mean Chapter 6.04 of the Bellingham Municipal Code. Whenever the term "tax" is used in the above provisions of the Revised Code of Washington, it shall be considered to mean the B&O tax imposed by Chapter 6.04 of the Bellingham Municipal Code.

Section 2. BMC 6.04.100 is amended as follows:

BMC 6.04.100 - Deductions

In computing the license fee or tax, there may be deducted from the measure of tax the following items:

- A. [UNCHANGED]
- B. [UNCHANGED]

- C. [UNCHANGED]
- D. [UNCHANGED]
- E. [UNCHANGED]
- F. [UNCHANGED]
- G. [UNCHANGED]
- H. [UNCHANGED]
- I. [UNCHANGED]
- J. [UNCHANGED]
- K. [UNCHANGED]
- L. [UNCHANGED]
- M. [UNCHANGED]
- N. [UNCHANGED]
- O. [UNCHANGED]

P. Medical or Other Health Care Facilities. The following provisions of the Revised Code of Washington as presently constituted or hereinafter amended are adopted by reference:

RCW

82.04.4297 Deductions - Compensation from public entities for health or social welfare services - Exception.

82.04.4311 Deductions - Compensation received under the federal medicare program by certain hospitals or health centers.

82.04.4337 Deductions - Certain amounts received by assisted living facilities.

Whenever the term "tax" is used in the above provisions of the Revised Code of Washington, it shall be considered to mean the B&O tax imposed by Chapter 6.04 of the Bellingham Municipal Code.

Section 3.

This ordinance shall take effect January 1, 2015.

PASSED by the Council this 23rd day of June, 2014.

Callie Schul

Council President

APPROVED by me this ____ day of _____, 2014.

Mayor

ATTEST:

Brian Kunkin

Finance Director

*Attest that Mayor
did not sign. B.K.*

7/14/14

Brian & Linda

*As you know, Mayor
Linville opted not to sign
this ordinance with the
understanding that it will
still go into effect.*

APPROVED AS TO FORM:

Matt Stangor

Office of the City Attorney

Published:

June 27, 2014

*Thanks
Sophia Blamey
Executive Assistant*