

SPECIAL NOTICE

June 23, 2003

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Chemical Dependency Service Providers - Tax Change

House Bill (ESHB) 1858 (Chapter 343, Laws of 2003), lowers the business and occupation (B&O) tax rate from 1.5% to 0.484% for certain treatment services for chemical dependency. The effective date of the bill is **July 27, 2003**. The lower tax rate only applies to income received by:

- ◆ Providers of **intensive inpatient** or **recovery house residential treatment services** (see definitions below) for chemical dependency,
- ◆ Who have been certified as such by the Department of Social and Health Services, Division of Alcohol and Substance Abuse
- ◆ On income received from the federal government, the state of Washington, or any municipal corporation or political subdivision of the state for providing such qualifying services.

NOTE:

- ◆ Chemical dependency facilities that qualify as “health or social welfare organizations” are still not taxable on income received from government agencies as compensation for health or social welfare services. (See WAC 458-20-169.)
- ◆ Only income from providing intensive inpatient or recovery house residential treatment services as defined in WAC 388-805-010 is afforded the lower B&O tax rate. **Intensive inpatient treatment service** is a concentrated program of individual and group counseling, education, and activities for detoxified alcoholics and addicts, and their families. **Recovery house residential treatment service** is a program of care and treatment with social, vocational, and recreational activities to aid in patient adjustment to abstinence and to aid in job training, employment, or other types of community activities.
- ◆ Other chemical dependency services, such as detoxification services, long-term treatment services, outpatient treatment services, or assessment services, remain taxable under the service B&O tax classification regardless of the source of income for providing those services.

How is the Income Reported on the Combined Excise Tax Return?

The effective date of the bill is July 27, 2003.

Qualifying income is to be reported on line 10 of the Combined Excise Tax Return where “Chemical Dependency Centers” will be added to Warehousing; Radio & TV Broadcasting; Public Road Construction; and Government Contracting.

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