



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

MAY 22, 2008

Tax Exemptions for Temporary Medical Housing Provided by Health or Social Welfare Organizations

Beginning July 1, 2008, HB 2544 (Chapter 137, Laws of 2008) exempts from retail sales tax and lodging taxes charges for temporary medical housing provided by health or social welfare organizations. The legislation also expands the definition of health or social welfare services to include temporary medical housing.

The sales and lodging tax exemptions apply only if:

1. The temporary medical housing is provided when the patient receives medical treatment at a public or private hospital licensed under RCW 70.41.090 or at an outpatient clinic associated with the public or private hospital;
2. The lodging is limited to the period the patient requires medical care, including any period of recuperation or observation immediately following such medical care; and
3. The health or social welfare organization providing the temporary medical housing does not provide lodging and related services to the general public.

This legislation does not provide a corresponding B&O tax exemption. This means that income derived from providing temporary medical housing remains subject to the B&O tax. However, RCW 82.02.4297 provides a limited B&O tax deduction for income received from governmental entities as compensation for providing health or social welfare services. Thus, income received from the state-run Medicaid program or other governmental entities for providing temporary medical housing may be deducted from gross income.

Sales of flowers, t-shirts, balloons, mugs, toiletries, soda and other items by health or social welfare organizations that provide temporary medical housing, gifts, etc. also remain subject to retail sales tax and the B&O tax.

For further information about health or social welfare organizations and the deduction for income received as compensation for providing health or social welfare services, please refer to WAC 458-20-169.