

Special Notice

Intended audience: accountable communities of health, hospitals, CPAs

March 2018

Business and Occupation (B&O) Tax deduction available for your Delivery System Reform Incentive Payments (DSRIP)

What's new?

Effective March 15, 2018, your business can take a business and occupation (B&O) tax deduction for Delivery System Reform Incentive Payments (DSRIP) *as long as* these payments are sourced from the "Medicaid Transformation Project."

(Section 1115 Medicaid demonstration project number 11-W-00304/0).

Your business can take this deduction if the following applies:

- You are an accountable community of health that receives DSRIP from the Washington State Healthcare Authority;
- You are a hospital owned by a municipal corporation or political subdivision; or
- You are a hospital affiliated with a state institution.

How do I file my tax return?

You must report delivery system reform incentive payments under the Service and Other Activities B&O tax classification. You may then take a deduction for these payments. To claim the deduction:

For your March through August monthly returns or Quarter 1 and 2 2018 returns:

1. On the Service and Other Activities B&O tax line, click "Add Deduction".
2. Find the box labeled "Other" and check the box in the Filing column.
3. Enter the deduction amount and an explanation box will appear.
4. Type "Delivery System Reform Incentive Payments" in the explanation box.

For your September monthly return, Quarter 3 2018 return, Annual 2018 return, and going forward select the “Delivery System Reform Incentive Payments” deduction.

Please note: We list different reporting instructions above because what you see when filing your return will change during Fall 2018.

Businesses that qualify for the deduction may generally claim the deduction beginning March 15, 2018.

Do I need to file an Annual Tax Performance Report?

No.

Definition

“Accountable community of health” means:

- an entity designated by the health care authority as a community of health (under this law: RCW 41.05.800), and
- any additional accountable communities of health authorized by the health care authority as part of its federal innovation waiver.

Questions?

- Email us at Rulings@dor.wa.gov.
- For bill information, see Substitute House Bill [\(SHB\) 2998 \(Chapter 102, Laws of 2018\)](#).

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