

## **STATEMENT OF PURPOSE**

### **RS27006**

This legislation amends Section 63-602D of Idaho Code by revising language regarding hospital property tax exemptions. For a medical facility to be exempt from property taxation, it must have twenty-four (24) hour emergency medical care. Administrative and medical facilities offices not contained within a twenty-four (24) hour emergency care do not qualify for an exemption. Any property losing an exemption will not be included on any new construction roll.

### **FISCAL NOTE**

There is no anticipated impact on the general fund. Counties could realize a small increase in property tax revenue.

**Contact:**

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**DISCLAIMER:** This statement of purpose and fiscal note are a mere attachment to this bill and prepared by a proponent of the bill. It is neither intended as an expression of legislative intent nor intended for any use outside of the legislative process, including judicial review (Joint Rule 18).

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 242

39-1301

"Hospital" means a facility which:

- (1) Is primarily engaged in providing, by or under the supervision of physicians,
  - (a) concentrated medical and nursing care on a twenty-four (24) hour basis to inpatients experiencing acute illness; and
  - (b) diagnostic and therapeutic services for medical diagnosis and treatment, psychiatric diagnosis and treatment, and care of injured, disabled, or sick persons; and
  - (c) rehabilitation services for injured, disabled, or sick persons; and
  - (d) obstetrical care.
- (2) Provides for care of two (2) or more individuals for twenty-four (24) or more consecutive hours.
- (3) Is staffed to provide professional nursing care on a twenty-four (24) hour basis.

63-602D. PROPERTY EXEMPT FROM TAXATION -- CERTAIN HOSPITALS. (1) For the purposes of this section, "hospital" means a hospital as defined by chapter 13, title 39, Idaho Code, and includes one (1) or more acute care, outreach, satellite, outpatient, ancillary or support facilities of such hospital whether or not any such individual facility would independently satisfy the definition of hospital.

(2) The following property is exempt from taxation: the real property owned and personal property, including medical equipment, owned or leased by a hospital corporation or a county hospital or hospital district that is operated as a hospital and the necessary grounds used therewith, for the purpose of providing twenty-four (24) hour emergency medical care. Administrative offices and medical facilities that are not open at all times, whether or not owned and operated by a hospital that owns a qualifying facility, do not qualify for an exemption from taxation under this section, unless they are contained within the same structure as the facility providing twenty-four (24) hour emergency care.

(3) If real property, not currently exempt from taxation, is being prepared for use as a hospital facility that qualifies for a tax exemption under this section, the value of the bare land only shall be taxed while the property is being prepared for use as a hospital. All improvements to and construction on the real property, while it is being prepared for a tax exempt use as a hospital, shall be exempt from taxation. For purposes of this section, property is being "prepared for a tax exempt use as a hospital" if the corporation has begun construction of a hospital project as evidenced by obtaining a building permit that will, on completion, qualify such property for an exemption and, as of the assessment date, has not abandoned the construction. Construction shall not be considered abandoned if it has been delayed by causes and circumstances beyond the corporation's control or when delay is caused by an event that has occurred in the absence of the corporation's willful neglect or intentional acts, omissions or practices engaged in by the corporation for the purpose of impeding progress. Notwithstanding the foregoing, in no event shall improvements to property that is being prepared for use as a hospital qualify for an exemption from ad valorem property tax under this subsection for more than three (3) consecutive tax years; upon completion of construction and obtaining a certificate of occupancy, the en-

1 tire real property meeting the requirements of subsection (2) of this sec-  
2 tion shall be exempt from taxation if the corporation meets the requirements  
3 of subsection (4) of this section; ~~provided, property already exempt or el-~~  
4 ~~igible for exemption shall not be affected by the provisions of this subsec-~~  
5 ~~tion.~~

6 (4) The corporation must show that the hospital:

7 (a) Is organized as a nonprofit corporation pursuant to chapter 30, ti-  
8 tle 30, Idaho Code, or pursuant to equivalent laws in its state of incor-  
9 poration; and

10 (b) Has received an exemption from taxation from the internal revenue  
11 service pursuant to section 501(c)(3) of the Internal Revenue Code.

12 (5) The board of equalization shall grant an exemption to the  
13 qualifying property of: (a) a county hospital; (b) a hospital district; or  
14 (c) any hospital corporation meeting the criteria provided in subsections  
15 (2) and (4) of this section.

16 (6) If a hospital corporation uses property for business purposes from  
17 which a revenue is derived that is not directly related to the hospital cor-  
18 poration's exempt purposes as described in subsection (2) of this section,  
19 then the property shall be assessed and taxed as any other property. ~~If prop-~~  
20 ~~erty is used in part by a hospital corporation for such purposes, then the as-~~  
21 ~~essor shall determine the value of the entire property and the value of the~~  
22 ~~part used that is not directly related to the hospital corporation's exempt~~  
23 ~~purposes. If the value of the part that is not directly related to the hos-~~  
24 ~~pital corporation's exempt purposes is determined to be three percent (3%)~~  
25 ~~or less than the value of the entire property, then the property shall remain~~  
26 ~~exempt. If the value of the part that is not directly related to the hospi-~~  
27 ~~tal corporation's exempt purposes is determined to be more than three per-~~  
28 ~~cent (3%) of the value of the entire property, then the assessor shall assess~~  
29 ~~the proportionate part of the property, including the value of the real es-~~  
30 ~~tate used for such purposes.~~

31 (7) A hospital corporation issued an exemption from property taxation  
32 pursuant to this section and operating a hospital having one hundred fifty  
33 (150) or more patient beds shall prepare a community benefits report to be  
34 filed with the board of equalization by December 31 of each year. The report  
35 shall itemize the hospital's amount of unreimbursed services for the prior  
36 year (including charity care, bad debt, and underreimbursed care covered  
37 through government programs); special services and programs the hospital  
38 provides below its actual cost; donated time, funds, subsidies and in-kind  
39 services; additions to capital such as physical plant and equipment; and  
40 indication of the process the hospital has used to determine general commu-  
41 nity needs that coincide with the hospital's mission. The report shall be  
42 provided as a matter of community information. Neither the submission of  
43 the report nor the contents shall be a basis for the approval or denial of a  
44 corporation's property tax exemption.

45 (8) Property exempted under this section or losing an exemption under  
46 this section shall not be included on any new construction roll prepared by  
47 the county assessor in accordance with section 63-301A, Idaho Code.

48 SECTION 2. This act shall be in full force and effect on and after Jan-  
49 uary 1, 2020.

## STATEMENT OF PURPOSE

### RS27174

This legislation repeals the sales tax exemption for all non-exempt hospitals except critical access hospitals as defined in 42 U.S.C. 1395x (mm). All monies generated will be deposited in a newly created Medicaid expansion dedicated fund.

### FISCAL NOTE

This will have a positive impact on the State General Fund. The estimated value for the sales tax exemption for hospital purchases is \$37.7 million in FY 2021. The fiscal impact of removing the sales tax exemption for hospitals that are not critical access hospitals, or otherwise state or federally run hospitals, is estimated to generate \$24.5 million for the Medicaid Expansion Dedicated Fund in FY 2021. This estimated impact is found by applying the proportion of the population living in urban counties as defined by the United States Census Bureau (Ada, Bannock, Bonneville, Canyon, Kootenai, and Twin Falls) to the total estimated exemption in the FY 2020 General Fund revenue book which is produced by the Division of Financial Management. These six counties comprise 65% of the state's population.

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IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 298

BY REVENUE AND TAXATION COMMITTEE

AN ACT

RELATING TO THE USE TAX BY HOSPITALS; AMENDING SECTION 63-36220, IDAHO CODE,  
TO REVISE PROVISIONS REGARDING THE SALES TAX EXEMPTION AVAILABLE TO  
CERTAIN HOSPITALS AND TO PROVIDE FOR THE APPLICATION OF CERTAIN USE TAX  
REVENUE FROM CERTAIN HOSPITALS; AND AMENDING CHAPTER 8, TITLE 57, IDAHO  
CODE, BY THE ADDITION OF A NEW SECTION 57-810, IDAHO CODE, ESTABLISHING  
THE MEDICAID EXPANSION DEDICATED FUND.

Be It Enacted by the Legislature of the State of Idaho:

SECTION 1. That Section 63-36220, Idaho Code, be, and the same is hereby  
amended to read as follows:

63-36220. EXEMPT PRIVATE AND PUBLIC ORGANIZATIONS. (1) There are ex-  
empted from the taxes imposed by this chapter:

(a) Sales to or purchases by hospitals, health-related entities, edu-  
cational institutions, forest protective associations and canal compa-  
nies that are nonprofit organizations; and

(b) Donations to, sales to, and purchases by the Idaho Foodbank Ware-  
house, Inc.; and

(c) Donations to, sales to, and purchases by food banks or soup kitchens  
of food or other tangible personal property used by food banks or soup  
kitchens in the growing, storage, preparation or service of food, but  
not including motor vehicles or trailers; and

(d) Sales of clothes to, donations of clothes to, and purchases of  
clothes by nonsale clothiers; and

(e) Sales to or purchases by centers for independent living; and

(f) Sales to or purchases by the state of Idaho and its agencies and its  
political subdivisions; and

(g) Sales to or purchases by volunteer fire departments or licensed  
emergency medical service agencies; and

(h) Sales to or purchases by a qualifying senior citizen center; and

(i) Sales to or purchases by the Blind Services Foundation, Inc.; and

(j) Donations to, sales to or purchases by the Advocates for Survivors  
of Domestic Violence and Sexual Assault, Inc., a nonprofit corporation;  
and

(k) Sales to or purchases by nonprofit organizations offering free den-  
tal clinic services to children; and

(l) Admissions to and purchases by museums, as defined in subsection  
(2) of this section.

(2) As used in this section, these words shall have the following mean-  
ings:

(a) "Educational institution" shall mean nonprofit colleges, univer-  
sities, public charter schools organized pursuant to chapter 52, title  
33, Idaho Code, the Idaho digital learning academy established pursuant

1 to chapter 55, title 33, Idaho Code, and other primary and secondary  
2 schools, the income of which is devoted solely to education and in which  
3 systematic instruction in the usual branches of learning is given. This  
4 definition does not include schools primarily teaching business, danc-  
5 ing, dramatics, music, cosmetology, writing, gymnastics, exercise and  
6 other special accomplishments nor parent-teacher associations, parent  
7 groups, alumni or other auxiliary organizations with purposes related  
8 to the educational function of an institution or collective group of in-  
9 stitutions.

10 (b) "Hospital" shall include nonprofit institutions licensed by the  
11 state for the care of ill persons. It shall not extend to nursing homes  
12 or similar institutions mean a critical access hospital as defined in 42  
13 U.S.C. 1395x(mm).

14 (c) "Health-related entities" shall mean the Idaho Cystic Fibrosis  
15 Foundation, Idaho Epilepsy League, Idaho Lung Association, March of  
16 Dimes, American Cancer Society, Camp Rainbow Gold, Mental Health As-  
17 sociation, The Arc, The Children's Home Society of Idaho, American  
18 Heart Association, Idaho Ronald McDonald House, United Cerebral Palsy,  
19 Arthritis Foundation, Muscular Dystrophy Foundation, National Mul-  
20 tiple Sclerosis Society, Rocky Mountain Kidney Association, American  
21 Diabetes Association, Easter Seals, Idaho Community Action Agencies,  
22 Idaho Primary Care Association and community health centers that are  
23 members of the Idaho Primary Care Association, the Idaho Association of  
24 Free and Charitable Clinics and its member clinics, the Idaho Diabetes  
25 Youth Programs, Special Olympics Idaho, the Idaho Women's and Chil-  
26 dren's Alliance, and the Family Services Alliance of Southeast Idaho,  
27 together with said entities' local or regional chapters or divisions.

28 (d) "Canal companies" shall include nonprofit corporations that are  
29 incorporated solely for the purpose of operating and maintaining and  
30 are engaged solely in operation and maintenance of dams, reservoirs,  
31 canals, lateral and drainage ditches, pumps or pumping plants.

32 (e) "Forest protective associations" shall mean associations whose  
33 purpose is the furnishing, operating and maintaining of a protective  
34 system for the detection, prevention and suppression of forest or range  
35 fires. Forest protective associations shall include only those associ-  
36 ations with which the state of Idaho has contracted or become a member of  
37 pursuant to chapter 1, title 38, Idaho Code.

38 (f) "Food banks or soup kitchens" shall mean any nonprofit corporation  
39 or association, other than the Idaho Foodbank Warehouse, Inc., one of  
40 whose regular activities is the furnishing or providing of food or food  
41 products to others without charge.

42 (g) "Nonsale clothier" shall mean any nonprofit corporation or associ-  
43 ation, one of whose primary purposes is the furnishing or providing of  
44 clothes to others without charge.

45 (h) "Clothes" shall mean garments in general, designed or intended to  
46 be worn by humans, and shall include footwear in addition to wearing ap-  
47 parel.

48 (i) "Center for independent living" shall mean a private, nonprofit,  
49 nonresidential organization in which at least fifty-one percent (51%)

1 of the principal governing board, management and staff are individuals  
2 with disabilities and that:

3 (i) Is designed and operated within a local community by individ-  
4 uals with disabilities;

5 (ii) Provides an array of independent living services and pro-  
6 grams; and

7 (iii) Is cross-disability.

8 (j) "Political subdivision" means:

9 (i) A governmental organization that:

10 1. Embraces a certain territory,

11 2. Is organized for public advantage and not in the interest  
12 of private individuals or classes,

13 3. Has been delegated functions of government, and

14 4. Has the statutory power to levy taxes; or

15 (ii) A public health district created by section 39-408, Idaho  
16 Code; or

17 (iii) A soil conservation district as defined in section 22-2717,  
18 Idaho Code; or

19 (iv) A drainage district created pursuant to chapter 29, title  
20 42, Idaho Code; or

21 (v) An irrigation district created pursuant to title 43, Idaho  
22 Code; or

23 (vi) A state grazing board created by section 57-1204, Idaho  
24 Code; or

25 (vii) A water measurement district created pursuant to section  
26 42-705 or 42-706, Idaho Code; or

27 (viii) A ground water management district created pursuant to  
28 chapter 51, title 42, Idaho Code.

29 (k) "Agency of the state of Idaho" shall mean an office or organization  
30 created by the constitution or statutes of this state and constituting a  
31 component part of the executive, judicial or legislative branch of the  
32 government of this state.

33 (l) "Volunteer fire department" means an entity exempt from federal  
34 income taxation pursuant to section 501(c)(3) of the Internal Revenue  
35 Code and which primarily provides fire protection or fire prevention on  
36 a not-for-profit basis to surrounding residents.

37 (m) "Licensed emergency medical service agency" means an emergency  
38 medical service (EMS) licensed by the EMS bureau of the department of  
39 health and welfare and which is exempt from federal income taxation  
40 pursuant to section 501(c)(3) of the Internal Revenue Code and which  
41 provides emergency medical services on a not-for-profit basis to sur-  
42 rounding residents.

43 (n) "Qualifying senior citizen center" means an entity exempt from in-  
44 come tax pursuant to section 501(c)(3) of the Internal Revenue Code and  
45 which is a community facility for the organization and provision of a  
46 broad spectrum of services, which shall include provision of health,  
47 including mental health, social, nutritional, and educational services  
48 and the provision of facilities for recreational activities for older  
49 individuals.

1 (o) "Museum" means a public institution or an entity exempt from income  
 2 tax pursuant to section 501(c)(3) of the Internal Revenue Code, which  
 3 stores, preserves and exhibits objects of art, history, science or  
 4 other objects of historical, educational or cultural value on a perma-  
 5 nent basis in a building, portion of a building or outdoor location and  
 6 which provides museum services to the public on a regular basis.

7 (3) The exemption granted by subsection (1)(f) of this section does not  
 8 include any association or other organization whose members are political  
 9 subdivisions or state agencies unless the organization is expressly created  
 10 under the joint powers provision of sections 67-2328 through 67-2333, Idaho  
 11 Code.

12 (4) The exemptions granted by subsection (1) of this section do not in-  
 13 clude the use of tangible personal property by a contractor used to improve  
 14 real property of an exempt entity when such use is within the definition pro-  
 15 vided by section 63-3615(b), Idaho Code, whether the use tax liability is in-  
 16 cluded in a contract total or stated separately in a contract.

17 (5) There is exempted from the taxes imposed in this chapter the renting  
 18 of a place to sleep to an individual by the Idaho Ronald McDonald House.

19 (6) In lieu of paying sales tax, hospitals not exempt from the sales and  
 20 use tax under this chapter shall accrue and remit any use tax due on sales  
 21 to or purchases by the nonexempt hospital to the state tax commission. The  
 22 method of payment shall be established and administered by the state tax com-  
 23 mission. The state tax commission shall transfer such funds to the medicaid  
 24 expansion dedicated fund established in section 57-810, Idaho Code.

25 SECTION 2. That Chapter 8, Title 57, Idaho Code, be, and the same is  
 26 hereby amended by the addition thereto of a NEW SECTION, to be known and des-  
 27 ignated as Section 57-810, Idaho Code, and to read as follows:

28 57-810. MEDICAID EXPANSION DEDICATED FUND. (1) There is hereby cre-  
 29 ated in the state treasury, the medicaid expansion dedicated fund to which  
 30 shall be credited all moneys remitted pursuant to law, as well as donations  
 31 or moneys from any other source. Moneys in the fund are intended to fund the  
 32 cost of medicaid eligibility expansion and may be expended pursuant to ap-  
 33 propriation.

34 (2) An amount of money shall be distributed to the state refund account  
 35 sufficient to pay current refund claims under this section. All refunds au-  
 36 thorized for payment by the state tax commission shall be paid through the  
 37 state refund account, and those moneys are continuously appropriated.

38 (3) The remaining funds shall be applied to the cost of funding medicaid  
 39 eligibility expansion.

40 (4) All interest earned on the investment of idle moneys in the fund  
 41 shall be returned to the fund.

42 (5) The state tax commission shall promulgate such rules as are neces-  
 43 sary to implement the provisions of this section.