



## Support a Business and Occupation Tax Exemption for COVID-19 Emergency Grants

### Background

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Hospitals and other health care entities and organizations have been provided federal and state grants to prepare and respond to the COVID-19 emergency. These grants have terms and conditions to ensure the funds are used specifically for emergency-related expenditures. Under current law, grant receipts are subject to business and occupation tax, and expenditures of the grant receipts on items and services are subject to sales and use tax. This significantly reduces the impact and effectiveness of the funds to address the COVID-19 emergency.

### WSHA Position

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WSHA strongly supports legislation drafted by the Department of Revenue (DOR) that would exempt emergency-related state or federal grants from business and occupation (B&O) tax as long as the grants are spent on emergency expenditures consistent with the grant's terms. The legislation does not exempt purchases of items or services funded by the grants from state sales and use taxes. The legislation will ensure that health care and other entities will not be financially penalized for their grant-funded COVID-19 response activity, and it still ensures the state can obtain needed sales and use tax revenue from grant-funded expenditures.

### Key Messages

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- WSHA supports DOR legislation that would clarify that federal and state grants for COVID-19 response and other emergency response activities are not subject to business and occupation tax. This ensures that the full amount of the grants can be spent on the intended emergency response activity.
- Grant-funded expenditures of emergency-related items and services will remain subject to the appropriate sales and use tax. The state will still receive needed sales and use tax revenue from grant expenditures.

### Contact Information

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