

# Nonprofit Outpatient Dialysis Facilities

2021 JLARC TAX PREFERENCE REVIEW

Estimated 2021-23 beneficiary savings: \$4.2M

Property Tax



Preference has no scheduled expiration.



## 27 nonprofit outpatient dialysis facilities exempt from property taxes

To claim the exemption, taxpayers must demonstrate their eligibility by completing a Department of Revenue application.

- Applicants must be exempt from federal income taxes under IRC Section 501(c).
- Beneficiaries must re-certify each year to maintain their exemption.

## Coverage provided by Medicare and Medicaid leaves little need for charity care

Testimony suggests the preference was intended to extend the same tax treatment for nonprofit hospitals to nonprofit dialysis centers. **The preference for nonprofit hospitals is intended to support charity care**, which hospitals are required to provide. Dialysis facilities are not required to provide charity care.

Together, Medicare and the state's Kidney Disease Program **provide coverage and assistance with treatment costs for people diagnosed with end stage renal disease**, regardless of age or income. Therefore, support for charity care is not a relevant objective for the tax preference.

### Dialysis is a life-saving treatment for patients with end stage renal disease

End stage renal disease (ESRD) is a condition where kidney function is almost entirely and irreversibly lost.

Over 99% of treatments at outpatient dialysis facilities are for patients with ESRD.

Doctors generally prefer patients receive transplants, but waitlists are long.

### Nonprofit facilities outperform for-profit counterparts on two standard measures

JLARC staff compared nonprofit and for-profit facilities in Washington on several measures. **Nonprofits performed better on two measures.** Nonprofits and for-profits otherwise performed similarly.



## LEGISLATIVE AUDITOR'S RECOMMENDATION

### Clarify

The Legislature should clarify the objectives of the preference by including a performance statement.

The complete report is on the JLARC web site: [www.leg.wa.gov/jlarc](http://www.leg.wa.gov/jlarc)

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