

Nonprofit Hospitals and Cancer Clinics

2022 JLARC TAX PREFERENCE REVIEW

Estimated 2023-25 beneficiary savings: \$259.4 million

Property Tax

Two property tax exemptions for nonprofit hospitals and nonprofit cancer clinics



Preferences have no expiration date.

Nonprofit hospitals and nonprofit cancer clinics do not pay tax on real or personal property.

- The nonprofit hospital exemption predates statehood. The preference applies to private nonprofit and public nonprofit hospitals.
- The nonprofit cancer clinic exemption was enacted in 1997. Clinics must be affiliated with a nonprofit hospital to qualify.

Real property includes hospital land, buildings, and other structures. Personal property includes medical equipment, hospital beds, and office equipment.

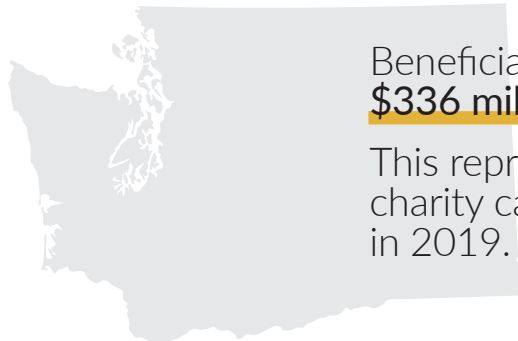
94 beneficiaries saved over \$93.1 million in FY 2019

JLARC staff used most recent hospital-level data available (FY 2019) to determine the value of each hospital's real and personal property. The beneficiary savings are the amount of property taxes each hospital would pay without the exemptions.

Nonprofit hospitals and cancer clinics provide 3 times the charity care than they receive in tax savings, and meet inferred intent

Beneficiary hospitals and cancer clinics are meeting the inferred objective of providing charity care and other community benefits.

- **Charity care** is medical care for which payment is not expected and patients are not billed.
- **Community benefits** include providing unreimbursed medical care under programs with certain eligibility requirements, and providing education and research programs.



Beneficiaries provided over **\$336 million** in charity care.

This represents **99%** of all charity care provided in WA in 2019.

JLARC staff reviewed data hospitals report to estimate the value of all community benefits beyond charity care. However, information in these reports is not sufficient to do so. Beginning in 2023, state law requires hospitals to report how their activities address community needs and identify outcome metrics. This information may provide more detail about the value of additional community benefits.

LEGISLATIVE AUDITOR'S RECOMMENDATION

Clarify

Clarify the objectives of the preferences by including performance statements. Both preferences were enacted before the Legislature required a performance statement for new tax preferences. There are no explicitly stated public policy objective for the tax preferences in statute.

The complete report is on the JLARC web site: www.leg.wa.gov/jlarc

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