

# **Bond Case Briefs**

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## **TAX - WASHINGTON**

### **PeaceHealth St. Joseph Medical Center v. Department of Revenue**

**Supreme Court of Washington - August 6, 2020 - P.3d - 2020 WL 4516799**

Department of Revenue appealed a decision of the Board of Tax Appeals granting taxpayers, which were non-profit medical center operators, a refund of business and occupation taxes paid on compensation received from out-of-state subsidized health care programs.

The Superior Court reversed. Taxpayers appealed. The Court of Appeals affirmed. Taxpayers petitioned for review, which was granted.

The Supreme Court held that:

- Statute establishing a business and occupation tax deduction for public and nonprofit hospitals for “compensation for health care services covered under...medical assistance, children’s health, or other program under [statutory chapter governing Medicaid and Children’s Health Insurance Programs (CHIP) programs]” applies only to compensation received from in-state Medicaid and CHIP programs, not to compensation received from all states’ Medicaid and CHIP programs, and
- Such statute did not violate dormant commerce clause pursuant to government function exemption.

Pursuant to government function exemption, state statute limiting business and occupation tax deduction available to public and nonprofit hospitals for Medicaid and Children’s Health Insurance Programs (CHIP) compensation to only in-state, rather than out-of-state, compensation did not violate dormant commerce clause; deduction supported a quintessentially public function by helping to subsidize government’s provision of essential health care services to state’s citizens by facilitating expansion of government’s overall purchasing power for such services.