
HOUSE BILL 2734

State of Washington

66th Legislature

2020 Regular Session

By Representatives Davis, Walen, Macri, Frame, Sells, Ramel, Peterson, Bergquist, Santos, Doglio, Valdez, Fitzgibbon, Riccelli, Kloba, Gregerson, Cody, Chopp, Stonier, Thai, and Robinson

1 AN ACT Relating to creating pathways to recovery from addiction
2 by eliminating a tax preference for the warehousing of opioids and
3 other drugs; amending RCW 82.04.272; adding a new section to chapter
4 71.24 RCW; creating new sections; and providing an effective date.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** (1) The legislature finds that:

7 (a) Pharmaceutical warehouse distributors serve as the purveyors
8 of opioids and other drugs to pharmacies;

9 (b) The pharmaceutical warehouse distributor tax preferential
10 rate was originally created to not disadvantage in-state prescription
11 wholesalers;

12 (c) The legislature remedied this business case in 2015 by
13 requiring out-of-state wholesalers to also pay the business and
14 occupation manufacturing tax;

15 (d) Over eighty percent of the benefit of the pharmaceutical
16 warehouse distributor tax preference goes to three Fortune 15
17 companies;

18 (e) Washington state is in the midst of an opioid epidemic, with
19 a staggering death toll;

20 (f) Washington's opioid epidemic has ripped children from their
21 parents and parents from their children;

1 (g) The opioid epidemic has contributed to a dramatic increase in
2 jail and prison populations and skyrocketing health care usage, all
3 at public expense;

4 (h) Opioid use disorder is a treatable brain disease from which
5 people can recover;

6 (i) Recovery from substance use disorder is predicated upon
7 advancing an individual through the stages of change until the
8 individual is willing to seek help. Building bridges of trust and
9 hope and the utilization of evidence-based practices such as
10 motivational interviewing are effective pretreatment tools to engage
11 prospective clients in treatment. Pretreatment services, including
12 outreach and engagement, are not reimbursable via medicaid or
13 commercial insurance;

14 (j) Treatment alone does not support long-term recovery from
15 addiction. Recovery support services are a suite of critical services
16 that help individuals in early recovery from addiction maintain their
17 recovery long-term. Lack of access to recovery support services is a
18 leading driver of return to use. Recovery support services includes
19 recovery housing, recovery coaching, education and employment
20 support, and family education. Recovery support services are
21 generally not reimbursable via medicaid or commercial insurance.

22 (2) The legislature therefore intends to close the pharmaceutical
23 warehouse distributor tax preferential rate and allocate the new
24 revenue to fund the pretreatment and recovery support services that
25 are essential to combating the opioid epidemic.

26 **Sec. 2.** RCW 82.04.272 and 2013 c 19 s 127 are each amended to
27 read as follows:

28 (1) Upon every person engaging within this state in the business
29 of warehousing and reselling drugs for human use pursuant to a
30 prescription; as to such persons, the amount of the tax shall be
31 equal to the gross income of the business multiplied by the rate of
32 ~~((0.138))~~ 0.484 percent.

33 (2) At least one month prior to the end of each quarter,
34 beginning December 1, 2020, the department must calculate:

35 (a) The proceeds of the tax imposed under this section generated
36 for the most recently completed quarter;

37 (b) The estimated amount of the proceeds the tax imposed pursuant
38 to this section would have generated during the most recently

1 completed quarter, if the rate of this tax was 0.138 percent for all
2 taxable activities under this section; and

3 (c) The net difference in proceeds of the taxes collected in (a)
4 of this subsection and the estimated amount of proceeds calculated in
5 (b) of this subsection.

6 (3) By the last day of each quarter, beginning December 31, 2020,
7 the department must notify the state treasurer of the calculations
8 under subsection (2) of this section. The state treasurer shall
9 transfer into the recovery pathways account created in section 4 of
10 this act, the amount determined under subsection (2)(c) of this
11 section by the beginning of the quarter immediately following.

12 (4) For the purposes of this section, the following dates must be
13 considered the beginning of a quarter: January 1st, April 1st, July
14 1st, and October 1st.

15 (5) For the purposes of this section:

16 (a) "Prescription" and "drug" have the same meaning as in RCW
17 82.08.0281; and

18 (b) "Warehousing and reselling drugs for human use pursuant to a
19 prescription" means the buying of drugs for human use pursuant to a
20 prescription from a manufacturer or another wholesaler, and reselling
21 of the drugs to persons selling at retail or to hospitals, clinics,
22 health care providers, or other providers of health care services, by
23 a wholesaler or retailer who is registered with the federal drug
24 enforcement administration and licensed by the pharmacy quality
25 assurance commission.

26 NEW SECTION. Sec. 3. Section 2 of this act applies to taxes due
27 for reporting periods beginning on or after the effective date of
28 this section.

29 NEW SECTION. Sec. 4. A new section is added to chapter 71.24
30 RCW to read as follows:

31 (1) The recovery pathways account is created in the state
32 treasury. All receipts from taxes collected and directed to be
33 transferred pursuant to RCW 82.04.272(3) must be deposited into the
34 account. Moneys in the account may be spent only after appropriation.
35 Expenditures from the account may be used only for nonmedicaid
36 reimbursable services including pretreatment substance use disorder
37 services and recovery support services.

38 (2) For the purposes of this section:

1 (a) "Pretreatment substance use disorder services" means outreach
2 and engagement services that build trust and hope between individuals
3 in active addiction and provide treatment access, including harm
4 reduction services. "Pretreatment services" includes meeting
5 individuals where they are, including homeless encampments,
6 correctional facilities, emergency departments, or other locations.

7 (b) "Recovery support services" means services that support a
8 person's recovery including, but not limited to, recovery housing,
9 education and employment support, recovery coaching, family
10 education, recovery community programs, transportation support, child
11 care support, and technological recovery supports.

12 NEW SECTION. **Sec. 5.** This act takes effect July 1, 2020.

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