

FINAL BILL REPORT

HB 3275

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Synopsis as Enacted

Brief Description: Revising the taxation of grocery distribution cooperatives.

Sponsors: By Representatives Linville, Ericksen, Morris and McIntire.

House Committee on Finance

Senate Committee on Ways & Means

Background:

Washington's principal tax on businesses is the state business and occupation (B&O) tax. The B&O tax applies to the gross receipts derived from engaging in business. Although the tax does not reflect the cost of doing business, there are a variety of exemptions, deductions, and other tax incentives permitted by law. Major tax rates are 0.484 percent for manufacturing and wholesaling, 0.471 percent for retailing, and 1.5 percent for services; several lower rates also apply to specific business activities. The B&O tax generates about 16 percent of all state tax collections; most of the receipts are deposited in the State General Fund.

A specialized deduction was adopted in 2001 for certain grocery cooperatives. This provided that member-owned associations were not subject to B&O tax on wholesale distributions (except for fresh meat products) from the association to its member grocery stores, as long as the cooperative retained title to the goods. The deduction requires that the cooperative must have been found to be not engaged in making wholesale sales to its member stores by a court of record. Further, it may not subsequently change its distribution practices so that it does make wholesale sales to its members. Any commission income retained by the association is subject to the 1.5 percent service tax rate.

Summary:

The deduction for wholesale distributions to member grocery stores by grocery cooperatives is broadened to continue the same tax treatment if a cooperative that is eligible for the deduction is acquired by another grocery distribution cooperative.

Votes on Final Passage:

House	94	0
Senate	49	0

Effective: 6/12/08