
Finance Committee

HB 3275

Brief Description: Revising the taxation of grocery distribution cooperatives.

Sponsors: Representatives Linville, Ericksen, Morris and McIntire.

Brief Summary of Bill

- Extends the state business and occupation tax deduction to grocery cooperatives that are sold.

Hearing Date: 2/12/08

Staff: Don Taylor (786-7388).

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 existing deduction requires that the cooperative must be found to be not engaged in making wholesale sales to its member stores by a court of record, and then changes 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 of Bill:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

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.

In addition to an impact on the State General Fund due to the broadened B&O tax deduction, because a litter tax exemption is tied to the definition in the amended statute there will be a corresponding impact on the waste reduction, recycling and litter control account.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.