

# FINAL BILL REPORT

## SHB 2671

C 2 L 94 E 1  
Synopsis as Enacted

**Brief Description:** Reducing gross receipts taxes for small businesses.

By House Committee on Revenue (originally sponsored by Representatives G. Fisher, Foreman, Holm, Mastin, Kremen, Roland, Kessler, Dellwo, Karahalios, Chappell, Conway, R. Johnson, J. Kohl, Patterson, Finkbeiner, Springer, Brown, Dunshee, Shin, Campbell, Dorn, Lemmon, Bray, R. Meyers, Basich, Johanson, Pruitt, Ogden, Wolfe, Sheldon, Caver, Quall, Jacobsen, Jones, Romero, Moak, Valle, H. Myers, King, Cothorn, Morris, Backlund, Van Luven, Rayburn, Long, L. Johnson and Anderson).

House Committee on Revenue  
Senate Committee on Ways & Means

**Background:** Washington's major business tax is the business and occupation tax (B&O tax). This tax is imposed on the gross receipts from all activities in which a business engages for profit, except specific activities and types of income exempted from the tax. Deductions for the costs of doing business are not allowed. Businesses with gross incomes less than \$1,000 per month are not subject to tax. Businesses with gross incomes greater than this threshold are subject to tax on their entire gross incomes.

**Summary:** The business and occupation tax threshold exemption is replaced by a credit against tax due. The maximum amount of credit is \$35 per month. The credit is phased out dollar-for-dollar by the amount the B&O tax liability exceeds the maximum credit amount. The \$35 credit offsets any tax liability of \$35 or less. If tax liability is more than \$35 and less than \$70, the credit is equal to \$70 minus the initial tax liability. For example, if the initial liability is \$50, the credit is \$20 (\$70 minus \$50) and the net tax due is \$30 (\$50 minus \$20). If tax liability exceeds \$70 (twice the maximum credit), the credit is zero and the full amount of tax is due.

**Votes on Final Passage:**

House	83	3	
Senate	46	1	(Senate amended)
House			(House refused to concur)

First Special Session  
Conference Committee

Senate	41	4
House	91	2

**Effective:** July 1, 1994