

HOUSE BILL REPORT

SB 6606

As Passed House - Amended
March 4, 1994

Title: An act relating to repealing the general business and occupation surtax under RCW 82.04.2201.

Brief Description: Repealing the general business and occupation surtax.

Sponsors: Senators Rinehart, Gaspard, Quigley, Ludwig, A. Smith, Sutherland, Skratek, Haugen, McAuliffe, Sheldon, Bauer, Snyder, Spanel, Owen, Williams, Wojahn, Prentice, Fraser, Drew, L. Smith, Amondson, Bluechel, Schow, Morton, Cantu, Sellar, Newhouse, Anderson, Oke, McDonald, Nelson, Hochstatter, Roach, West, Moyer, Deccio, Erwin and Winsley.

Brief History:

Reported by House Committee on:
Revenue, March 3, 1994, DPA.
Passed House - Amended, March 4, 1994, 94-3.

HOUSE COMMITTEE ON REVENUE

Majority Report: Do pass as amended. Signed by 14 members: Representatives G. Fisher, Chair; Holm, Vice Chair; Foreman, Ranking Minority Member; Anderson; Brown; Caver; Cothorn; Leonard; Romero; Rust; Silver; Talcott; Van Luven and Wang.

Minority Report: Do not pass. Signed by 1 member: Representative Thibaudeau.

Staff: Rick Peterson (786-7150).

Background: Washington's major business tax is the business and occupation (B&O) tax. This tax is imposed on the gross receipts of business activities conducted within the state. Although there are several different rates, the principal rates are:

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| retailing activities | 0.471% |
| manufacturing, wholesaling, & extracting | 0.515% |
| miscellaneous services | 2.13% |
| selected business services | 2.5% |

Since the B&O tax is a gross receipts tax, deductions for the costs of doing business are not permitted. Some other

deductions are allowed, but most of these are really exemptions of certain types of gross income or business activities.

In 1993, the B&O tax rate on selected business services was increased from 1.5 percent to 2.5 percent, the rate on financial businesses was increased from 1.5 percent to 1.7 percent, and the rate on all other services was increased from 1.5 percent to 2.0 percent. Also in 1993, the B&O tax was extended to public and nonprofit hospitals at the rate of .75 percent through June 30, 1995, and 1.5 percent thereafter.

In addition to these permanent tax increases, a 6.5 percent surtax was imposed for the period July 1, 1993, through June 30, 1997, on all B&O tax classifications except selected business services, financial services, retailing, and public and nonprofit hospitals.

Summary of Bill: The 6.5 percent surtax is repealed July 1, 1997.

Fiscal Note: Available.

Effective Date: The bill takes effect July 1, 1997.

Testimony For: None.

Testimony Against: None.

Witnesses: None.