

HOUSE BILL REPORT

SB 5755

As Reported By House Committee On:

Finance

Title: An act relating to the application of use tax on donated property to nonprofit charitable organizations.

Brief Description: Concerning the taxation of property donated to a nonprofit entity.

Sponsors: Senators Loveland, Newhouse, Spanel, Rasmussen and Haugen.

Brief History:

Committee Activity:

Finance: 3/28/95, 4/3/95 [DP].

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 12 members: Representatives B. Thomas, Chairman; Boldt, Vice Chairman; Carrell, Vice Chairman; Morris, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Hymes; Mason; Mulliken; Pennington; Schoesler; Sheldon and Van Luven.

Staff: Rick Peterson (786-7150).

Background: Sales tax applies when items are purchased at retail in the state. Sales tax is paid by the purchaser and collected by the seller. Use tax is imposed on the use of an item in this state, when the acquisition of the item has not been subject to sales tax. Use tax applies to items purchased from sellers who do not collect sales tax, items acquired from out of state, and items produced by the person using the item. The state sales tax rate is 6.5 percent of the selling price. Local governments may levy additional sales taxes. The total state and local rate varies from 7 percent to 8.2 percent, depending on the location. Use tax is equal to the sales tax rate multiplied by the value of the property used.

Exempt from use tax are articles of tangible personal property acquired by gift if the donor has paid a sales or use tax on the property. Computers and computer accessories and software donated to schools or colleges are also exempt from use tax.

Summary of Bill: A use tax exemption is provided for the use by a nonprofit charitable organization, the state, or a local governmental entity of tangible personal

property that is donated to the nonprofit charitable organization, the state, or local governmental entity.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: Most nonprofits operate through donations of money and property. There is an added cost to verify that the donors have paid a tax. Donors usually have paid the tax and this amounts to double taxation. We should encourage donations.

Testimony Against: None.

Testified: Senator Valoria Loveland, prime sponsor; and Sharon Foster, YMCA's of Washington and Council of Youth Agencies.