

# HOUSE BILL REPORT

## HB 1611

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### As Reported By House Committee On:

Finance

**Title:** An act relating to tax exemptions for new construction of alternative housing for youth in crisis.

**Brief Description:** Providing a tax exemption for new construction of alternative housing for youth in need.

**Sponsors:** Representatives Costa, Radcliff, Scott, Kessler, Blanton, Koster, D. Schmidt, Beeksma, Romero, Thompson, Regala and Kremen.

### **Brief History:**

#### **Committee Activity:**

Finance: 2/22/95, 3/6/95 [DPS].

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill 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:** The retail sales tax is imposed on sales of most articles of tangible personal property and some services. The sales tax is paid by the purchaser and collected by the seller. 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.

The use tax is imposed on the use of articles of tangible personal property when the sale of the property was not subject to sales tax. The use tax applies when property is acquired from out of state. It also applies when property is acquired from an in-state person who does not collect sales tax. Use tax is equal to the sales tax rate multiplied by the value of the property used.

Washington law does not provide a general exemption from the retail sales and use taxes for nonprofit organizations or government agencies. Most sales and use tax exemptions are for specific items, such as food for home consumption and prescription drugs. Nonprofit organizations generally pay tax when buying goods and services subject to sales and use taxes. A few sales and use tax exemptions exist for nonprofit organizations such as: purchase and use of goods by the Red Cross; and purchase and use of art objects by nonprofit artistic and cultural organizations.

Nonprofit health or social welfare organizations are managed by a governing board of at least eight persons, none of whom is a paid employee of the organization. Compensation to officers and executives must be for actual services performed and cannot exceed levels comparable to compensation within state service. The assets of the nonprofit corporation must be irrevocably dedicated to the purposes of the organization, and no part of the income of the organization may be paid to any member, officer, director or trustee except for services performed by these persons.

Nonprofit health or social welfare organizations are eligible for a business and occupation tax exemption on income received from governments for performing health or social welfare services. Health or social welfare services eligible for this B&O tax exemption include: activities which are for preventing or ameliorating juvenile delinquency or child abuse; care of orphans or foster children; mental, drug, or alcoholism counseling or treatment; family counseling; health care services; and other health and social services.

**Summary of Substitute Bill:** Nonprofit health or social welfare organizations are exempt from sales and use taxes on items necessary for new construction of alternative housing for youth in crisis. A youth in crisis is a person under 18 who is either: homeless, runaway, abused, neglected, abandoned or is suffering from a substance abuse or mental disorder. The exemptions expire on July 1, 1997.

**Substitute Bill Compared to Original Bill:** The substitute bill defines "youth in crisis" and adds a sunset date of July 1, 1997.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** There are many "throwaway" children in this society. These are kids that for one reason or another have nowhere to live or go to school. Our types of homes are the only place available for these kids. Unfortunately, when we build facilities to house them, we must pay taxes on the building materials. At present, we

have an operating budget for a facility that could be built, except that we have no ability to pay the tax on the construction materials. People that give to our programs do not want to donate their money to pay taxes, they want their money to go to the kids.

**Testimony Against:** None.

**Testified:** Representative Jeri Costa, prime sponsor; Seth Dawson, Luther Child Center; Sarri Kriesman and Nate Murphy, Cocoon House; Peter Berliner, Children's Alliance; Linda Meyer, Teenhope; Majken Ryherd Keira, Washington Low-Income Housing Congress; and Ted Larsen, Snohomish County Council.