

# HOUSE BILL REPORT

## HB 1663

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### As Passed House:

March 9, 1995

**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:** Representatives Schoesler, Carlson, Brumsickle, Morris, Chopp, Tokuda, Dickerson, Campbell, Costa, Benton, Robertson, D. Schmidt, Thompson, Cooke, Mason and Dyer.

### Brief History:

#### Committee Activity:

Finance: 2/22/95, 3/3/95 [DP].

#### Floor Activity:

Passed House: 3/9/95, 96-0.

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### 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:** The state sales tax is paid on each retail sale of most articles of tangible personal property and certain services. The use tax is imposed on the use of articles of tangible personal property when the sale or acquisition has not been subject to the sales tax. The use tax commonly applies to purchases made from out-of-state firms, including purchases by mail order.

Goods acquired by gift are exempt from the use tax if the donor has paid a sales or use tax on the property.

Washington law does not provide a general exemption from the retail sales and use tax 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 or using

goods and services subject to sales and use tax. A few use tax exemptions exist for nonprofit organizations or government agencies such as: use of goods by the Red Cross, use of art objects by nonprofit artistic and cultural organizations, use of loaned driver-training vehicles by public and private schools, and use of donated computers by schools.

**Summary of Bill:** A use of donated items by a nonprofit charitable organization, the state, or a local governmental entity is exempt from use tax.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** The existing law is very frightening to nonprofits because they did not realize they were responsible for the tax on donated items. This legislation is tightly drafted and narrow in scope. It clarifies the law and protects the nonprofits.

**Testimony Against:** None.

**Testified:** (pro) Sharon Foster, YMCA's of Washington, and Council of Youth Agencies; Ralph Munro, Secretary of State; Elson Strahun and Dini Duelos, Clark College; Jim Gwinn, Crista Ministries; and Claire Hesselholt, Department of Revenue.