

SENATE BILL REPORT

ESHB 1611

As Reported By Senate Committee On:
Ways & Means, April 3, 1995

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: House Committee on Finance (originally sponsored by Representatives Costa, Radcliff, Scott, Kessler, Blanton, Koster, D. Schmidt, Beeksma, Romero, Thompson, Regala and Kremen).

Brief History:

Committee Activity: Ways & Means: 4/3/95 [DPA].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Rinehart, Chair; Bauer, Cantu, Drew, Finkbeiner, Fraser, Hochstatter, Johnson, Long, Pelz, Roach, Snyder, Spanel, Strannigan, West, Winsley and Wojahn.

Staff: Terry Wilson (786-7715)

Background: The retail sales tax is imposed on sales of most articles of tangible personal property and some services. 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 generally applies when property is acquired from out of state. 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 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. 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 organizations 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 (B&O) 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 Amended 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. The exemption expires July 1, 1997. A youth in crisis is a person under 18 who is either: homeless, a runaway, abused, neglected, abandoned or is suffering from a substance abuse or mental disorder.

Amended Bill Compared to Substitute Bill: The substitute bill did not provide for an expiration of the exemption.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: None.

Testimony Against: None.

Testified: No one.