

SENATE BILL REPORT

SHB 2945

As Reported By Senate Committee On:
Labor, Commerce & Trade, February 22, 1996

Title: An act relating to excise taxation of management entities providing services for casino gambling activity in Washington state.

Brief Description: Taxing management entities that provide services for casino gambling activity in Washington state.

Sponsors: House Committee on Commerce & Labor (originally sponsored by Representatives Lisk, Cole, Horn, Romero, Cairnes, Conway, Hargrove, Cody, Thompson, Huff, McMorris, Goldsmith, Jacobsen, Fuhrman, Sehlin, Chopp, Chappell, Regala, Buck, Dyer, Elliot, Sterk, Reams, Sherstad, Lambert, Chandler, McMahan, Murray, Hankins, Appelwick, Dickerson, Johnson, Smith and Mitchell).

Brief History:

Committee Activity: Labor, Commerce & Trade: 2/1/96, 2/22/96 [DP].

SENATE COMMITTEE ON LABOR, COMMERCE & TRADE

Majority Report: Do pass.

Signed by Senators Pelz, Chair; Heavey, Vice Chair; A. Anderson, Deccio, Franklin, Newhouse and Wojahn.

Staff: Traci Ratzliff (786-7452)

Background: Businesses operating in the state of Washington are subject to the state business and occupation tax (B&O tax). This tax is imposed on the gross receipts of business activities conducted within the state.

There are several different rates that apply to various classifications of business activity. A business conducting several activities may be required to report in more than one classification. Businesses that provide "selected business services" such as management services or consulting services are taxed at 2 percent. Businesses that provide banking, loan, investment advisory, or other financial services are taxed at 1.6 percent. Businesses that provide services not covered in other categories are taxed at 1.75 percent.

The federal Indian Gaming Regulatory Act (IGRA) authorizes Indian tribes to conduct Class III gambling activity under a state/tribal compact agreement. The compacts negotiated in Washington and IGRA allow management contracts between the tribe and other businesses offering management services. The compacts also set the number of gaming stations that may operate in a facility and the level of wagering for Class III gaming. The scope of Class III gaming in Washington includes house-banked games such as blackjack and other table games authorized for play in Nevada and any other gaming activity that is permitted within the state.

Summary of Bill: The B&O tax rate for businesses operating casino management services is set at 2 percent. This rate applies to businesses certified by the state and providing services for casino gambling activity that includes financing, development, or operation of a facility capable of conducting gambling activity using 30 or more gaming stations and allowing wagers of \$250 or more.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: None.

Testimony Against: This bill is not needed. Casino management companies are already covered under existing B&O tax statutes.

Testified: CON: Ed Fleisher, Upper Skagit Tribe; Randy Scott, Puyallup Indian Tribe and Quinault Indian Nation; Dawn Vyvyan, Yakama Nation and Jamestown S’Klallam.