

SENATE BILL REPORT

SB 5383

As of February 9, 1995

Title: An act relating to the business and occupation tax on collection agencies.

Brief Description: Specifying the business and occupation tax on collection agencies.

Sponsors: Senator Hochstatter.

Brief History:

Committee Activity: Ways & Means: 1/31/95.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7715)

Background: The business and occupation tax (B&O) is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities (except utility activities) conducted within the state. There are no deductions for the costs of doing business.

There are 13 different B&O tax rates. The principal rates are:

Manufacturing, wholesaling, & extracting	0.506%
Retailing	0.471%
Services	
- Business Services	2.5%
- Financial Services	1.7%
- Other activities	2.09%

In 1993, the B&O tax rate on selected business services, financial services, and all other services was increased from 1.5 percent. Also in 1993, the B&O tax was extended to public and nonprofit hospitals at the rate of .75 percent through June 30, 1995, and 1.5 percent thereafter.

In addition to these permanent tax increases, in 1993 a surtax of 6.5 percent was imposed on all B&O tax classifications except selected business services, financial services, retailing, and public and nonprofit hospitals. The surtax was lowered to 4.5 percent on January 1, 1995. The surtax expires July 1, 1997.

Licensed collection agencies are taxable at the service rate of 2.09 percent.

Summary of Bill: The tax rate on licensed collection agencies is reduced to 1.15 percent, which consists of a base rate of 1.1 percent and the 4.5 percent surtax.

Appropriation: None.

Fiscal Note: Requested on January 23, 1995.

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

Testimony For: Collection agencies work on commission strictly. Commissions used to be 40-50 percent, but costs are higher and commission rates are going down. Smaller firms are disappearing because the bigger firms work on 25 percent commissions. Collection agencies are more professional and ethical now. Public agencies use collection agencies.

Testimony Against: None.

Testified: Angela Vanderhoff, WA Collectors Association (pro).