

HOUSE BILL REPORT

HB 1379

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: Removing the expiration of tax exemptions for new construction of alternative housing for youth in crisis.

Sponsors: Representatives Radcliff, Costa, Scott, Thompson, O'Brien, Linville, Blalock, Cooper, Dickerson, Cooke, Mason, Conway and Wood.

Brief History:

Committee Activity:

Finance: 2/11/97, 3/6/97 [DPS].

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Dunshee, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Boldt; Butler; Conway; Kastama; Mason; Morris; Pennington; Schoesler and Thompson.

Staff: Linda Brooks (786-7153).

Background: The sales tax is imposed on retail sales of most items of tangible personal property and some services. Use tax is imposed on the use of an item in this state, when the acquisition of the item or service has not been subject to sales tax. The combined state and local sales and use tax rate is between 7 percent and 8.6 percent, depending on location.

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 taxes when buying goods and services subject to sales and use taxes. A few sales and use tax exemptions exist for nonprofit organizations, such as the purchase and use of goods by the Red Cross and the purchase and use of art objects by nonprofit artistic and cultural organizations.

The Legislature has exempted sales and use taxes on items necessary for constructing alternative housing for youth in crisis. A youth in crisis is a person under 18 who is a runaway or is homeless, abused, neglected, or abandoned. The definition of a youth in crisis also includes a person under 18 who suffers from a substance abuse or mental disorder. Only new facilities licensed by the Department of Health and Social Services qualify for the tax exemptions.

The sales and use tax exemptions for items used in constructing alternative housing for youth in crisis took effect on May 13, 1995. The exemptions expire on July 1, 1997.

Summary of Substitute Bill: Sales and use tax exemptions for items used in constructing alternative housing for youth in crisis are extended until July 1, 1999.

Substitute Bill Compared to Original Bill: The original bill would have made the sales and use tax exemptions permanent.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect July 1, 1997.

Testimony For: Sales and use tax exemptions on the construction of housing for youth in crisis represent extremely cost-effective tax breaks. The exemptions provide incentives for non-profits to expand their programs to serve more youth in need. More housing for youth in crisis is needed, as present facilities do not meet demand.

Testimony Against: None.

Testified: (Pro) Representative Radcliff, prime sponsor; Representative Costa, secondary sponsor; Victoria Wagner, Youth Care; Seth Davison, Common Ground for Children; and Sharon Foster, YMCAs of Washington State.