

HOUSE BILL REPORT

HB 1821

As Reported By House Committee On:

Finance

Title: An act relating to consolidating business and occupation tax rates into fewer categories.

Brief Description: Consolidating business and occupation tax rates into fewer categories.

Sponsors: Representatives B. Thomas, Mulliken, Bush, Zellinsky, Kastama, Sullivan, Wensman, Carrell and Schoesler.

Brief History:

Committee Activity:

Finance: 2/19/97, 2/27/97 [DP].

HOUSE COMMITTEE ON FINANCE

Majority Report: 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; Pennington; Schoesler; Thompson and Van Luven.

Staff: Rick Peterson (786-7150).

Background: Washington's major business tax is the business and occupation (B&O) tax. This tax is imposed at 13 different rates on the gross receipts of business activities conducted within the state. After a temporary surtax expires on July 1, 1997, B&O rates will be as follows:

0.011%	Wholesaling wheat, oats, corn, barley;
0.138%	Manufacturing wheat into flour, soybean oil, seafood manufacturing, slaughter, breaking and processing meat-wholesale;
0.275%	Dry pea splitting, nuclear fuel sales, nuclear fuel manufacturing, travel agent commissions, international investment management;
0.330%	Manufacturing fresh fruits and vegetables;
0.363%	International charter freight brokers, stevedoring;
0.471%	Retailing;
0.484%	Extracting, extracting for hire, manufacturing, retailing interstate transportation products, nonprofit research and development, wholesaling,

internal distribution, newspaper printing, road and street improvements for government, storage warehouses, independent general insurance agents, radio and TV broadcasting, construction for federal government;

- 0.55% Insurance-agents/brokers commissions;
- 1.50% Nonprofit hospitals;
- 1.60% Financial services;
- 1.75% Real estate brokers, other services;
- 2.00% Selected business services; and
- 3.30% Low-level radioactive waste disposal

Summary of Bill: The number of B&O rates is reduced to six rates by:

- Eliminating the 0.011 percent rate for wholesaling wheat, oats, corn, and barley, and exempting these activities from tax;
- Consolidating agricultural activities at the 0.138 percent rate. Dry pea splitting (formerly 0.275 percent) and manufacturing fresh fruits and vegetables (formerly 0.330 percent) join manufacturing wheat into flour; soybeans into oil, seafood manufacturing, and processing and selling meat at wholesale in this category;
- Moving international charter freight brokers and stevedoring (formerly 0.363 percent) to join travel agent commissions, nuclear fuel sales and manufacturing and international investment management at 0.275 percent;
- Moving insurance agent/broker commissions (formerly 0.55 percent) to 0.484 percent together with manufacturing, wholesaling, extracting and others; and
- Combining financial services (formerly 1.6 percent) and selected business services (formerly 2.0 percent) into the other services category (formerly 1.75 percent), and reducing the rate to 1.5 percent.

The resulting six B&O rate categories are:

- 0.138% Manufacturing wheat into flour, soybean oil, seafood manufacturing, slaughter, breaking and processing meat-wholesale, dry pea splitting, manufacturing fresh fruits and vegetables;
- 0.275% Nuclear fuel sales, nuclear fuel manufacturing, travel agent commissions, international investment management, international charter freight brokers, and stevedoring;
- 0.471% Retailing;
- 0.484% Extracting, extracting for hire, manufacturing, retailing interstate transportation products, nonprofit research and development, wholesaling, internal distribution, newspaper printing, road and street improvements for government, storage warehouses, independent general insurance agents, radio and TV broadcasting, construction for federal government, insurance-agents/brokers commissions;
- 1.50% Nonprofit hospitals, real estate brokers services; and

3.30% Low-level radioactive waste disposal.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: The intent of the bill is to consolidate some of the many B&O tax rates in conjunction with combining and lowering the service B&O tax rates. Consolidation will simplify the tax system for the taxpayer and the Department of Revenue. Washington food processors compete heavily with Midwestern food processes who are closer to the market and have lower tax rates than Washington. This bill will reduce the tax rate on food processors and will help them increase investment in Washington, and increase payments to employees and local growers while remaining competitive.

Testimony Against: None.

Testified: For: Representative Brian Thomas, prime sponsor; and Bill Fritz, Washington Food Processors Council.