

# SENATE BILL REPORT

## HB 2335

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As Reported By Senate Committee On:  
Ways & Means, March 10, 1998

**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, Thompson, Morris, Gardner, Linville, Backlund, Cooke, Carrell, Kastama, Schoesler, Van Luven, Dunn and Lambert; by request of Department of Revenue.

**Brief History:**

**Committee Activity:** Ways & Means: 3/10/98 [DP].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Hochstatter, Long, McDonald, Roach, Rossi, Schow, B. Sheldon, Swecker, Winsley and Zarelli.

**Staff:** David Schumacher (786-7474)

**Background:** Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. There are many different tax rates. After July 1, 1998, the business and occupation tax will have 10 different rates 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, real estate brokers, and services; and
- 3.30 % Low-level radioactive waste disposal.

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

- (a) Eliminating the 0.011 percent rate for wholesaling wheat, oats, corn, and barley, and exempting these activities from tax;
- (b) 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;
- (c) 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; and
- (d) Moving insurance agent/broker commissions (formerly 0.55 percent) to 0.484 percent together with manufacturing, wholesaling, extracting and others.

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, and services; and
- 3.30 % Low-level radioactive waste disposal.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on July 1, 1998.

**Testimony For:** This bill will simplify the tax code for the benefit of the taxpayers.

**Testimony Against:** None.

**Testified:** Representative Brian Thomas, prime sponsor (pro).