

FINAL BILL REPORT

SB 6449

C 331 L 98

Synopsis as Enacted

Brief Description: Specifying a business and occupation tax rate for income in the nature of royalties for the use of intangible rights.

Sponsors: Senators West, Anderson, Kohl, T. Sheldon, Jacobsen, Goings and Winsley; by request of Governor Locke.

Senate Committee on Ways & Means

House Committee on Finance

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.

Although there are several different rates, beginning July 1, 1998, the principal rates are as follows:

Manufacturing/wholesaling	0.484%
Retailing	0.471%
Services	1.5%

The B&O tax is imposed on the gross receipts of business activities conducted within the state without deductions for the costs of doing business.

Income received from royalties for the granting of such rights as copyrights, licenses, patents or franchise fees are currently taxed at the 1.5 percent services rate.

Summary: A new tax classification is created for businesses receiving income from royalties. Income received from royalties is taxed at 0.484 percent.

Votes on Final Passage:

Senate	48 0
House	94 0

Effective: July 1, 1998