

# HOUSE BILL REPORT

## EHB 2260

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### As Passed Legislature

**Title:** An act relating to the taxation of grocery distribution cooperatives.

**Brief Description:** Changing the tax treatment of grocery distribution cooperatives.

**Sponsors:** By Representatives Cairnes, Morris, Kessler, Linville, McMorris, Doumit, Anderson, Hatfield, Poulsen, Crouse, Veloria, Benson, DeBolt, Reardon, Ericksen, Armstrong, Dunshee, Mastin and Delvin.

### Brief History:

#### First Special Session

#### Floor Activity:

Passed House: 5/21/01, 92-0.

Passed Senate: 5/23/01, 40-0.

Passed Legislature.

### Brief Summary of Engrossed Bill

- Provides reduced wholesaling business and occupation taxes for grocery distribution cooperatives.

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### HOUSE COMMITTEE ON FINANCE

**Majority/Minority Report:** None.

**Staff:** Rick Peterson (786-7150).

### Background:

The business and occupation (B&O) tax is imposed for the privilege of doing business in Washington. The tax is imposed on the gross receipts of all business activities (except utility activities) conducted within the state. B&O tax is deposited in the general fund.

Although there are several different B&O tax rates, the principal rates are: manufacturing and wholesaling - 0.484 percent; retailing - 0.471 percent; and services - 1.5 percent.

The litter tax is imposed on the value or gross proceeds of certain manufactured, wholesaled, or retailed products, including groceries, soft drinks, newspapers, and certain other items. The revenues is used to control litter within the state.

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**Summary of Bill:**

Grocery distribution cooperatives are taxed at a rate of 1.5 percent on sales to their customer- owners rather than at the usual 0.484 percent wholesaling tax rate. A deduction from taxable wholesales equal to the cost of merchandise sold to the cooperative's customer-owners is allowed.

Grocery distribution cooperatives are exempt from the litter tax.

Grocery distribution cooperatives eligible for this treatment must: (1) sell groceries and related items to customer-owners of the cooperative or to customer-owners of a firm which has at least a 50 percent controlling interest in the grocery distribution cooperative; (2) have been determined by a court not to be selling at wholesale and subsequently change business form to make sales at wholesale of groceries or related items; and (3) be majority owned by customer-owners.

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**Appropriation:** None.

**Fiscal Note:** Requested on engrossed bill May 21, 2001.

**Effective Date:** The bill contains an emergency clause and sections 1, 2, 4, and 8 take effect immediately, sections 3 and 5 take effect on July 1, 2001, and section 7 takes effect July 22, 2001. Section 6 takes effect July 1, 2003.

**Testimony For:** None.

**Testimony Against:** None.

**Testified:** None.