

# HOUSE BILL REPORT

## HB 1579

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**As Reported by House Committee On:**  
Finance

**Title:** An act relating to a business and occupation tax exemption for nonprofit organizations that provide legal services to low-income individuals.

**Brief Description:** Concerning a business and occupation tax exemption for nonprofit organizations that provide legal services to low-income individuals.

**Sponsors:** Representatives Appleton, Hasegawa and Nelson.

**Brief History:**

**Committee Activity:**

Finance: 2/5/09, 2/20/09 [DP].

**Brief Summary of Bill**

- Exempts from the business and occupation (B&O) tax, nonprofit organizations that primarily provide legal services to low-income individuals.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 7 members: Representatives Hunter, Chair; Orcutt, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Condotta, Conway, Santos and Springer.

**Staff:** Joseph Archuleta (786-7192)

**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. Major tax rates are 0.484 percent for manufacturing and wholesaling, 0.471 percent for retailing, and 1.5 percent for services, several lower rates also apply to specific business activities.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Specific B&O exemptions exist for several types of profit and nonprofit organizations. The eligibility conditions vary for each exemption. The term "exemption" is used broadly to include a wide variety of tax preference items, which reduces tax liability upon a certain class of taxpayers. It includes exclusions, deductions, preferential tax rates, deferrals, and credits.

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**Summary of Bill:**

Exempts from the business and occupation tax, nonprofit organizations that primarily provide legal services to low-income individuals.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) Organizations providing legal services to low-income people are a great asset to the community. They help people identify and resolve legal problems, which in turn can prevent spiraling social problems from happening, and financial stress from the economic recession has increased the demand for these services. These organizations have taken a financial hit in the last couple of years, and nonprofits should not have a portion of their limited budgets going to pay B&O taxes. Given the budget situation, this tax exemption is better than the state appropriating more money. Also, people with legal assistance move through the judicial system more effectively than people who do not.

(Opposed) None.

**Persons Testifying:** Representative Appleton, prime sponsor; and Sara Lingafelter and Alisha Freeman, Kitsap Legal Services.

**Persons Signed In To Testify But Not Testifying:** None.