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**Finance Committee**

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**HB 2390**

**Brief Description:** Eliminating the business and occupation tax deduction for initiation fees and dues received by for-profit businesses.

**Sponsors:** Representatives Moeller, Chase, Appleton, Upthegrove, Hasegawa and Ormsby.

**Brief Summary of Bill**

- Eliminates the Business and Occupation Tax deduction for initiation fees and dues received by for-profit businesses.

**Hearing Date:** 1/15/10

**Staff:** Jeffrey Mitchell (786-7139).

**Background:**

The Business and Occupation (B&O) Tax is Washington's major business tax. The tax is imposed on the gross receipts of business activities conducted within the state, and revenues are deposited in the State General Fund. The B&O tax does not permit deductions for the costs of doing business, such as payments for raw materials and wages of employees. However, there are many exemptions for specific types of business activities as well as certain deductions and credits permitted under the B&O tax statutes.

One such deduction from the B&O tax relates to income derived from bona fide initiation fees and dues. The deduction is available to both for-profit and nonprofit businesses. The deduction is not available for income derived from sales of property or services or for the privilege of using facilities or equipment, even if the income is designated by the business as an initiation fee or due. For example, fees and dues paid for the privilege of accessing or using equipment, facilities, or training services at a gym or fitness center would not qualify for the deduction. Only those initiation fees and dues that are paid solely for the express privilege of membership to a club, organization, or society are deductible.

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**Summary of Bill:**

The Business and Occupation Tax deduction for bona fide initiation fees and dues is eliminated for for-profit businesses, thereby restricting its availability to only nonprofit organizations, nonprofit associations, and nonprofit corporations.

**Appropriation:** None.

**Fiscal Note:** Available.

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