

SENATE BILL REPORT

SHB 2167

As Reported by Senate Committee On:
Ways & Means, April 27, 2019

Title: An act relating to tax revenue.

Brief Description: Concerning tax revenue.

Sponsors: House Committee on Finance (originally sponsored by Representative Tarleton).

Brief History: Passed House: 4/26/19, 53-43.

Committee Activity: Ways & Means: 4/27/19 [DP, DNP].

Brief Summary of First Substitute Bill

- Imposes an additional 1.2 percent business and occupation tax on specified financial institutions.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Operating, Capital Lead; Billig, Carlyle, Conway, Darneille, Hasegawa, Hunt, Keiser, Lias, Palumbo, Pedersen and Van De Wege.

Minority Report: Do not pass.

Signed by Senators Mullet, Capital Budget Cabinet; Braun, Ranking Member; Brown, Assistant Ranking Member, Operating; Honeyford, Assistant Ranking Member, Capital; Bailey, Becker, Rivers, Schoesler, Wagoner, Warnick and Wilson, L..

Staff: Jeffrey Mitchell (786-7438)

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. Businesses must pay the B&O tax even though they may not have any profits or may be operating at a loss.

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.

A taxpayer may have more than one B&O tax rate, depending on the types of activities conducted. Major B&O tax rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent for services and for activities not classified elsewhere. Financial institutions are subject to the 1.5 percent service and other B&O tax rate.

Summary of Bill: Beginning on January 1, 2020, an additional B&O tax is imposed on specified financial institutions. The tax is equal to the taxpayer's gross taxable service and other income multiplied by 1.2 percent.

A specified financial institution is a financial institution that is a member of a consolidated financial institution group that reported on its consolidated financial statement for the previous calendar year annual net income of at least \$1 billion, not including net income attributable to noncontrolling interests, as the terms net income and noncontrolling interest are used in the consolidated financial statement. If financial institutions are no longer required to file consolidated financial statements, "specified financial institution" means any person that was subject to the additional tax in this section in at least two of the previous four calendar years. The Department of Revenue (DOR) must notify the fiscal committees of the Legislature if financial institutions are no longer required to file consolidated financial statements.

DOR may require a taxpayer believed to be a specified financial institution to disclose whether it is a member of a consolidated financial institution group and, if so, to identify all other members of its consolidated financial institution group. A person failing to comply with this requirement is deemed to have intended to evade tax payable under this section and is subject to the statutory penalty on any tax due under this section by the taxpayer and any financial institution affiliated with the taxpayer.

Revenue generated from the additional B&O tax on specified financial institutions must be deposited in the state general fund.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.