

FINAL BILL REPORT

SB 6606

C 10 L 94 E1

SYNOPSIS AS ENACTED

Brief Description: Repealing the general business and occupation surtax.

SPONSORS: Senators Rinehart, Gaspard, Quigley, Ludwig, A. Smith, Sutherland, Skratek, Haugen, McAuliffe, Sheldon, Bauer, Snyder, Spanel, Owen, Williams, Wojahn, Prentice, Fraser, Drew, L. Smith, Amondson, Bluechel, Schow, Morton, Cantu, Sellar, Newhouse, Anderson, Oke, McDonald, Nelson, Hochstatter, Roach, West, Moyer, Deccio, Erwin and Winsley

SENATE COMMITTEE ON WAYS & MEANS

HOUSE COMMITTEE ON REVENUE

BACKGROUND:

Washington's major business tax is the business and occupation (B&O) tax. This tax is imposed on the gross receipts of business activities conducted within the state. Although there are several different rates, the principal rates are:

Retailing activities	0.471%
Manufacturing, wholesaling, & extracting	0.515%
Miscellaneous services	2.13%
Selected business services	2.5%

Since the B&O tax is a gross receipts tax, deductions for the costs of doing business are not permitted. Some other deductions are allowed, but most of these are really exemptions of certain types of gross income or business activities.

In 1993, the B&O tax rate on selected business services was increased from 1.5 percent to 2.5 percent, the rate on financial businesses was increased from 1.5 percent to 1.7 percent, and the rate on all other services was increased from 1.5 percent to 2.0 percent. Also in 1993, the B&O tax was extended to public and nonprofit hospitals at the rate of .75 percent through June 30, 1995, and 1.5 percent thereafter.

In addition to these permanent tax increases, a 6.5 percent surtax was imposed for the period July 1, 1993, through June 30, 1997, on all B&O tax classifications except selected business services, financial services, retailing, and public and nonprofit hospitals.

SUMMARY:

The 6.5 percent surtax is reduced to 4.5 percent on January 1, 1995.

VOTES ON FINAL PASSAGE:

Senate	47	0	
House	94	3	(House amended)
Senate			(Senate refused to concur)

First Special Session

Conference Committee

House	90	3
Senate	43	2

EFFECTIVE: January 1, 1995