

FINAL BILL REPORT

ESHB 3116

C 82 L 04

Synopsis as Enacted

Brief Description: Modifying tax exemptions for qualifying blood banks, tissue banks, and blood and tissue banks.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Murray, Cairnes, Sehlin, Sommers, McIntire, Lovick, Hatfield, Kenney, Morrell and Santos).

House Committee on Finance

Senate Committee on Ways & Means

Background:

As a general rule, nonprofit organizations are subject to state and local taxes unless there is a specific statutory exemption. An exemption from federal income tax does not automatically provide an exemption from state and local taxes. Washington does provide tax exemptions for several types of nonprofit organizations, including blood, bone, and tissue banks. These banks are exempt from business and occupation taxes, retail sales and use taxes, and property taxes.

In 1995, the Legislature expanded the property tax exemption for blood banks to include leased property and to include bone and tissue banks. In addition, (1) a business and occupation (B&O) tax exemption was provided for the gross income of nonprofit blood, bone, or tissue banks to the extent that they were exempt from federal income tax, and (2) a sales and use tax exemption was provided for nonprofit blood, bone, or tissue banks for the purchase or use of medical supplies, chemicals, or specialized materials. The sales and use tax exemption does not apply to construction materials, office equipment, building equipment, administrative supplies or vehicles.

In 1999, a question arose as to whether the Fred Hutchinson Cancer Research Center qualified as a blood, bone, and tissue bank for purposes of the tax exemptions. Litigation ensued. In 2003, the Thurston County Superior Court ruled that the extension of the exemptions to bone and tissue banks in 1995 was beyond the title of the bill, that the exemptions only applied to nonprofit blood banks, and that the Fred Hutchinson Cancer Research Center was not a nonprofit blood bank.

Summary:

Existing B&O tax, sales and use tax, and property tax exemptions for nonprofit blood, bone, and tissue banks are reenacted. Definitions and qualification requirements are revised. The banks must be exempt from federal income tax as nonprofit organizations and registered under federal law. Comprehensive cancer centers are not eligible for exemption as blood, bone, or tissue banks.

Votes on Final Passage:

House	95	0	
Senate	48	0	(Senate amended)
House	95	0	(House concurred)

Effective: June 10, 2004