

SENATE BILL REPORT

SHB 2928

As of February 21, 2018

Title: An act relating to reauthorizing the business and occupation tax deduction for cooperative finance organizations.

Brief Description: Reauthorizing the business and occupation tax deduction for cooperative finance organizations.

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

Brief History: Passed House: 2/13/18, 98-0.

Committee Activity: Ways & Means: 2/24/18.

Brief Summary of Bill

- Reauthorizes the business and occupation (B&O) tax deduction for loan repayments received by nonprofit cooperative finance organizations from rural electric cooperatives.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Alia Kennedy (786-7405)

Background: B&O Tax. Washington's major business tax is the 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. A business may have more than one B&O tax rate, depending on the types of activities conducted. Major 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. Several lower rates also apply to specific business activities.

Rural Electric Cooperatives. A rural electric cooperative provides utility services to rural areas of Washington. The Washington Rural Electric Cooperative Association identifies 15 rural electric cooperatives in Washington. The cooperatives serve over 280,000 customers and offer electric service at cost. The rates and policies are set by locally elected boards of directors.

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.

Nonprofit Cooperative Finance Organizations. The primary purpose of a nonprofit cooperative finance organization is to provide, secure, or otherwise arrange financing for rural electric cooperatives. The National Rural Utilities Cooperative Finance Corporation (CFC) was incorporated in 1969 as a member-owned, nonprofit, cooperative financing organization. It raises and loans funds to supplement the loan programs for electric cooperatives and mutuals offered by the federal Rural Utilities Service. According to the CFC, its outstanding loans and guarantees for all cooperatives nationwide totaled \$23.2 billion as of May 31, 2016.

Business and Occupation Tax Deduction. In 2013, the Legislature granted a B&O tax deduction to nonprofit cooperative finance organizations for the proceeds of loans to rural electric cooperatives or other nonprofit or governmental providers of utility services. The deduction expired on July 1, 2017.

Summary of Bill: The B&O tax deduction for loan repayments received by cooperative finance organizations from rural electric cooperatives or other utility nonprofits is reauthorized. A tax preference performance statement is included, with the metric of at least six nonprofit cooperative financing organizations taking advantage of the preference.

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.