

# FINAL BILL REPORT

## SHB 2167

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C 420 L 19  
Synopsis as Enacted

**Brief Description:** Concerning tax revenue.

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

**House Committee on Finance**  
**Senate Committee on Ways & Means**

### **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.

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:**

Beginning on January 1, 2020, an additional B&O tax is imposed on specified financial institutions (additional tax). The additional 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 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.

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*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.*

The 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 a penalty on any additional tax due from the taxpayer and any financial institution affiliated with the taxpayer.

Revenue generated from the additional tax must be deposited in the State General Fund.

**Votes on Final Passage:**

House	53	43
Senate	25	24

**Effective:** July 28, 2019