

FINAL BILL REPORT

SHB 2168

C 451 L 19
Synopsis as Enacted

Brief Description: Concerning tax preferences.

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

House Committee on Finance
Senate Committee on Ways & Means

Background:

Business and Occupation Tax.

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.

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. Several preferential rates also apply to specific business activities. In addition, a taxpayer may be eligible to utilize other tax preferences, including credits and deductions, to reduce their tax liability.

Tax Preference Performance Statement.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include: tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

Summary:

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.

An eligible hospital is not subject to B&O tax. An "eligible hospital" is defined as one that is owned by a county with a population greater than 2 million and managed by a state university.

A tax preference performance statement is included and notes that the Legislature categorizes this tax preference as one intended to provide tax relief to certain businesses. The JLARC is directed to evaluate the role eligible hospitals play as safety net providers.

The B&O exemption expires January 1, 2030.

Votes on Final Passage:

House	93	4
Senate	47	1

Effective: July 1, 2019