

SENATE BILL REPORT

SHB 1808

As of March 10, 2020

Title: An act relating to making the nonprofit and library fund-raising exemption permanent.

Brief Description: Making the nonprofit and library fund-raising exemption permanent.

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

Brief History: Passed House: 3/07/20, 96-0.

Committee Activity: Ways & Means: 3/09/20.

Brief Summary of Bill

- Makes permanent the use tax exemption on prizes valued under \$12,000 received or purchased as part of a fund-raising event for a nonprofit organization or library.
- Requires an annual adjustment by inflation to the value limit on use tax exempt prizes.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Alia Kennedy (786-7405)

Background: Retail Sales and Use Tax. Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of a property, digital product, or service. If retail sales taxes were not collected when the user acquired a property, digital product, or service, then use taxes apply to the value when used in this state. The state, most cities, and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent. Local sales and use tax rates vary depending on location.

Nonprofit Fundraiser Tax Exemptions. Nonprofit organizations are generally required to collect and remit retail sales tax and pay business and occupation (B&O) tax on the sales of goods and retail services. However, the law provides limited exemptions for certain fundraising activities. Individuals who purchase or win items valued at less than \$12,000 at qualifying nonprofit or library fundraising events do not owe use tax on those items. A qualifying event is one that is exempt from B&O tax, limited in time rather than an ongoing

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business endeavor, and raises money to further the goals of the nonprofit organization or library.

The use tax exemption on items received or purchased at a nonprofit or library fundraising event expires July 1, 2020.

Tax Preference Performance Requirements. State law provides for a range of tax preferences that confer reduced tax liability for certain designated taxpayers. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Unless specifically exempted otherwise, legislation establishing or expanding a tax preference must include a tax preference performance statement identifying its public policy objective and provides certain metrics used by the Joint Legislative Audit and Review Committee in evaluating the effectiveness of the preference. If an exemption or specific expiration date is not provided in the enacting legislation, all new tax preferences automatically expire after ten years.

Summary of Bill: The expiration date on the use tax exemption for items purchased or received as a prize at a qualifying nonprofit organization or library fundraising event is eliminated.

Beginning December 2019, and each December thereafter, the Department of Revenue must adjust by inflation the \$12,000 value threshold on use tax exempt prizes. Inflation must be calculated using the Consumer Price Index for the Seattle area, as provided by the United States Bureau of Labor Statistics or a successor agency.

The use tax exemption on items received or purchased at a nonprofit or library fundraising event is exempt from tax preference performance review and expiration.

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.

Staff Summary of Public Testimony: PRO: This bill addresses a time sensitive matter as the exemption for nonprofit and library fundraising prizes is set to expire this year. The exemption is vital for two reasons: (1) it encourages donors to bid generously at fundraising auctions without the dampening effect of knowing that tax will be imposed on the transaction and (2) it allows nonprofits and libraries to avoid the administrative burden of collecting tax at fundraising events. Nonprofits and libraries rely on fundraising events to increase their annual revenue. The public has an interest in encouraging fundraising events by nonprofits and libraries because of the vital service they provide communities.

Persons Testifying: PRO: Trudy Soucoup, Homes First.

Persons Signed In To Testify But Not Testifying: No one.