

# SENATE BILL REPORT

## SB 5940

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As of March 11, 2019

**Title:** An act relating to imposing a business and occupation surtax on prescription opioid drugs.

**Brief Description:** Imposing a business and occupation surtax on prescription opioid drugs.

**Sponsors:** Senators Keiser and Kuderer.

**Brief History:**

**Committee Activity:** Ways & Means: 3/14/19.

**Brief Summary of Bill**

- Establishes a business and occupation surtax on the gross income derived from the sale of prescription opioid drugs.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Alia Kennedy (786-7405)

**Background:** Business and Occupation Tax. Washington's major business tax is the business and occupation (B&O) tax. 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 if they do not make any profits or are 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 activities not classified elsewhere. Several preferential rates also apply to specific business activities.

Tax on the Warehousing and Reselling of Prescription Drugs. Businesses engaged in warehousing and reselling prescription drugs for human use are subject to a preferential B&O tax rate of 0.138 percent. "Warehousing and reselling prescription drugs for human use" means buying prescription drugs for human use from a manufacturer or another wholesaler, and reselling those drugs to persons selling at retail or to hospitals, clinics, health care providers, or other providers of health care services, by a wholesaler or retailer who is registered with the Federal Drug Enforcement Administration and licensed by the Pharmacy Quality Assurance Commission.

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**Summary of Bill:** An additional tax is imposed on the business of warehousing and reselling prescription opioid drugs in an amount equal to 37 percent of gross income derived from such sales. The additional tax applies to gross income received on or after October 1, 2019.

"Opioid" means a prescription drug that is an opiate derived from the opium poppy or opiate-like that is a semi-synthetic or synthetic drug including, but not limited to, morphine, codeine, hydrocodone, oxycodone, fentanyl, meperidine, and methadone.

**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.