

FINAL BILL REPORT

ESSB 6004

C 425 L 19
Synopsis as Enacted

Brief Description: Concerning the taxation of travel agents and tour operators.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senator Rolfes).

Senate Committee on Ways & Means

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.

Preferential Tax Rate for Travel Agents and Tour Operators. Travel agents and tour operators are subject to a preferential B&O tax rate of 0.275 percent. Without the tax preference, these businesses would be classified under general services and taxed at a rate of 1.5 percent on gross receipts.

Travel agents arrange transportation and accommodations on behalf of their customers. Travel agents may receive commissions from service providers, for example, cruise lines or hotels, and may charge fees to their customers. The B&O tax applies to these commissions and fees rather than to the price of the underlying ticket or room.

Tour operators, in contrast, sell transportation and accommodations to customers that the tour operators provide themselves or purchase from third-party providers. Unlike travel agents, tour operators are personally liable for the services purchased from third-party providers when a customer cancels. Also unlike travel agents, the B&O tax applies to the price the customer pays for the ticket or room.

Summary: Beginning July 1, 2019, the preferential B&O rate for travel agents and tour operators with annual gross income above \$250,000 is increased from 0.275 to 0.9 percent.

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.

Votes on Final Passage:

Senate 27 21

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House 52 46

Effective: July 1, 2019