
Finance Committee

HB 1862

Brief Description: Providing tax exemptions for the assistance of disabled veterans and members of the armed forces of the United States of America.

Sponsors: Representatives Leavitt, Barnard, Tharinger, Graham, Couture, Duerr, Barkis, Bronoske and Slatter.

Brief Summary of Bill

- Provides a business and occupation tax exemption for amounts received from sales on a military reservation by a nonprofit that operates an adaptive recreational facility that serves disabled veterans and members of the armed forces.
- Provides a retail sales tax exemption for sales on a military reservation by a nonprofit that operates an adaptive recreational facility that serves disabled veterans and members of the armed forces.

Hearing Date: 1/9/24

Staff: Kristina King (786-7190).

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.

Sales and Use Tax.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

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 the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 4.0 percent, depending on the location.

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.

Adaptive Recreation and Rehabilitation.

Adaptive recreation or rehabilitation is the use of activity modifications or assistive technologies to allow people with disabilities to participate in recreational activities, sports, or physical rehabilitation efforts.

Summary of Bill:

Sales made on a military reservation by a nonprofit operating an adaptive recreational and rehabilitation facility that is dedicated to the assistance of disabled veterans and members of the armed forces are exempted from the B&O tax.

Sales made on a military reservation by a nonprofit operating an adaptive recreational and rehabilitation facility that is dedicated to the assistance of disabled veterans and members of the armed forces are also exempted from retail sales tax.

A TPPS is included, and the exemptions expire January 1, 2035.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on October 1, 2024.