

FINAL BILL REPORT

SHB 2187

C 51 L 91

Synopsis As Enacted

Brief Description: Exempting nonprofit organization auctions from excise tax.

By House Committee on Revenue (originally sponsored by Representatives O'Brien, Dellwo, Brough, Anderson, May, Kremen, Beck, Zellinsky, Miller, Day, Basich, Riley, R. King, Rasmussen, Prentice, Ferguson, Padden, Broback, Ballard, Edmondson, Brumsickle, P. Johnson, Bowman, Wynne, Mielke, Casada, Nealey, Van Luven, Fuhrman, Holland, Wilson, Schmidt, Neher, Lisk, Rayburn, Scott, Roland, Ogden, Orr, Haugen, Jacobsen, Cole, Pruitt, McLean, Tate, Morton, Valle, Dorn, Heavey, Franklin, Cantwell and Leonard).

House Committee on Revenue

Background: Nonprofit organizations pay business and occupation (B&O) tax and collect sales taxes on their sales unless specifically exempted by statute. Exemption from federal income tax does not automatically provide exemption from state taxes. Most nonprofits pay B&O tax at the services rate of 1.5 percent.

Income from bazaars and rummage sales conducted by nonprofit organizations is exempt from B&O tax if the gross income from each sale does not exceed \$1,000, the sales are conducted no more than twice a year, and each sale does not last more than two days. Sales tax does not apply to sales that are infrequent enough to be considered "casual and isolated" sales. The Department of Revenue (DOR) has interpreted sales at nonprofit bazaars and rummage sales to be exempt from sales tax as "casual and isolated" sales as long as the same criteria are met as for the B&O exemption.

Summary: Any public benefit nonprofit organization is exempt from paying B&O tax and from collecting sales taxes on amounts received from fundraising auctions if the organization does not conduct more than one auction per year and the auction does not last more than two days. A public benefit nonprofit organization is defined as an organization exempt from tax under section 501(c)(3) of the federal internal revenue code.

Votes on Final Passage:

House 89 5
Senate 45 2

Effective: April 26, 1991