

SENATE BILL REPORT

EHB 1450

AS REPORTED BY COMMITTEE ON WAYS & MEANS, MARCH 27, 1991

**Brief Description:** Providing a business and occupation tax credit for services provided by a public safety testing lab.

**SPONSORS:** Representatives Peery, H. Myers, Morris and Cooper.

**HOUSE COMMITTEE ON REVENUE**

**SENATE COMMITTEE ON WAYS & MEANS**

**Majority Report:** Do pass.

Signed by Senators McDonald, Chairman; Craswell, Vice Chairman; Bailey, Bauer, Bluechel, Cantu, Gaspard, Hayner, Johnson, L. Kreidler, Metcalf, Murray, Newhouse, Niemi, Rinehart, Saling, L. Smith, Talmadge, West, Williams, and Wojahn.

**Staff:** Terry Wilson (786-7715)

**Hearing Dates:** March 26, 1991; March 27, 1991

**BACKGROUND:**

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

**SUMMARY:**

Nonprofit public safety testing corporations may receive a credit against their B&O tax liability. The credit is equal to the value of services and information related to setting of standards and testing for public safety provided without charge to the state at the state's request. To qualify for the credit, the corporation must be:

1. Organized and operated for the purpose of setting standards and testing for public safety;
2. Exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986; and
3. Organized with no direct or indirect industry affiliation.

The credit is limited to the amount of tax owed. Any unused credit may be carried forward a maximum of one year.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** available

**Effective Date:** July 1, 1991

**TESTIMONY FOR:**

Underwriters' Laboratories is the only company that would qualify under this bill. Underwriters' Laboratories wants to locate in this state but still protect its tax exempt status in other states. Underwriters' Laboratories currently provide many services to the state at no charge.

**TESTIMONY AGAINST:** None

**TESTIFIED:** Representative Kim Perry (pro); Bob Schafer, Underwriters' Laboratories (pro)