

**SENATE BILL REPORT**

**SB 5929**

**AS REPORTED BY COMMITTEE ON WAYS & MEANS, MARCH 7, 1991**

**Brief Description:** Providing tax exemptions for nonprofit organizations serving meals for fundraising purposes.

**SPONSORS:** Senators Cantu and McDonald.

**SENATE COMMITTEE ON WAYS & MEANS**

**Majority Report:** That Substitute Senate Bill No. 5929 be substituted therefor, and the substitute bill do pass.

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

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

**Hearing Dates:** March 6, 1991; March 7, 1991

**BACKGROUND:**

Nonprofit organizations are subject to the business and occupation (B&O) tax and must collect sales taxes on their sales unless specifically exempted by statute. Exemption from federal income tax does not automatically provide an exemption for state taxes. Most nonprofit organizations 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 sales are conducted no more than twice each year, each sale lasts no more than two days, and the income from each sale does not exceed \$1,000.

Sales tax does not apply to sales that are infrequent enough to be considered casual and isolated. The Department of Revenue has interpreted sales at nonprofit bazaars and rummage sales to be casual and isolated as long as the same criteria for the B&O tax exemption are met.

**SUMMARY:**

Meals sold by nonprofit organizations for fundraising purposes are exempt from B&O and sales taxes if the meals are served no more than once a week.

**EFFECT OF PROPOSED SUBSTITUTE:**

Fundraising meals are not subject to use tax. The \$1,000 income limit for bazaars and rummage sale is eliminated.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** requested March 6, 1991

**Effective Date:** The bill contains an emergency clause and takes effect July 1, 1991.

**TESTIMONY FOR:** None

**TESTIMONY AGAINST:** None

**TESTIFIED:** No one