

SENATE BILL REPORT

EHB 2968

As Reported By Senate Committee On:
Ways & Means, March 1, 2004

Title: An act relating to excise tax deductions for governmental payments to nonprofit organizations for salmon restoration.

Brief Description: Providing excise tax deductions for governmental payments to nonprofit organizations for salmon restoration.

Sponsors: Representatives Linville, Quall and Rockefeller.

Brief History:

Committee Activity: Ways & Means: 2/26/04, 3/1/04 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Zarelli, Chair; Hewitt, Vice Chair; Parlette, Vice Chair; Carlson, Doumit, Hale, Honeyford, Johnson, Pflug, Rasmussen, Regala, Roach, Sheahan, B. Sheldon and Winsley.

Staff: Terry Wilson (786-7433)

Background: 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 B&O tax even though they may not have any profits or may be operating at a loss. Since the B&O tax is not based on profits, nonprofit organizations are not automatically exempt from B&O tax. Exemption from federal income tax does not automatically provide exemption from state and local taxes. Specific B&O exemptions, covering all or most gross income, exist for several types of nonprofit organizations. The eligibility conditions vary for each exemption. The exemptions include: nonprofit agricultural fairs, nonprofit church day care, bazaars and rummage sales, fund-raising auctions, nonprofit student loan agencies, nonprofit consumer debt counseling organizations, nonprofit fraternal organization for premiums for death benefits, the Red Cross, sheltered workshops, youth organizations for membership fees and certain service fees, trade shows, kidney dialysis facilities, health or social welfare organizations, nonprofit artistic and cultural organizations, and public safety standards and testing organizations.

For B&O tax, a deduction is like an exemption, except in the manner in which it is reported on the taxpayer's return. For an exemption, the taxpayer does not report the exempt income at all. For a deduction, the taxpayer shows the deduction as a reduction from taxable gross income.

Summary of Bill: For B&O tax, a nonprofit organization is allowed a deduction from taxable gross income for government grants received to support salmon restoration.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 18, 2004.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: This is the result of an audit of one person who dispenses grants. The tax was more than the fees he got. The money should go to salmon recovery projects. No one thought DOR would try to tax this. These projects are done by volunteers. The grants themselves cannot be used to pay taxes. All funds are passed through to projects.

Testimony Against: None.

Testified: PRO: Representative Linville, prime sponsor; Representative Buck; Ed Owens, Coalition of Coastal Fisheries; Ron Craig, Kip Killebrew, Cedar Bouta, RFEG Coalition.