

SENATE BILL REPORT

SB 5027

As Reported By Senate Committee On:
Ways & Means, February 21, 2007

Title: An act relating to the excise taxation of zoos.

Brief Description: Providing excise tax relief for zoos.

Sponsors: Senators Kohl-Welles, Murray, Jacobsen and Kline.

Brief History:

Committee Activity: Ways & Means: 1/31/07, 2/21/07 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5027 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Hatfield, Hewitt, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Staff: Dianne Criswell (786-7433)

Background: The business & occupation (B&O) tax is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities conducted within the state. There are no deductions for the costs of doing business. The sales tax is paid on each retail sale of most articles of tangible personal property, certain services, and extended warranties. The use tax is imposed on the use of articles of tangible personal property, certain services, and extended warranties when the sale or acquisition has not been subject to the sales tax. The use tax commonly applies to purchases made from out-of-state firms.

Artistic or cultural organizations are nonprofit organizations that are organized and operated exclusively for the purpose of providing artistic or cultural exhibitions, presentations, performances, or education programs. These organizations may deduct income derived from government grants, tuition for educational programs, items manufactured for artistic or cultural purposes by the organization, and business activities (such as admissions fees). In addition, these organizations are also exempt from paying sales and use taxes on objects of art, items with cultural value, objects used to create art, and items used to display art or to present cultural performances. In July 2005, the state Board of Tax Appeals upheld a ruling by the Department of Revenue that the Woodland Park Zoological Society, the nonprofit

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organization that manages Woodland Park Zoo, is not an artistic or cultural organization for the purposes of the respective deductions and exemptions under the B&O and sales and use taxes. In its ruling, the board distinguished between organizations whose primary focus is human art or culture and those whose focus is animals.

Summary of Bill: A similar set of deductions and exemptions under the B&O and sales and use taxes that are allowed to artistic or cultural nonprofit corporations are created for nonprofit corporations that are organized for the exclusive purpose of providing zoological exhibitions, presentations, performances, or education programs at a zoological facility that is publicly owned.

EFFECT OF CHANGES MADE BY RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Ways & Means): The requirement that qualifying zoos must be both publicly owned and operated by a nonprofit is removed. The requirement that qualifying zoos must be either accredited by the Association of Zoos and Aquariums or a nonprofit facility operating for the purpose of conserving endangered or threatened species is added.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: The Woodland Park Zoo has many cultural, artistic, and educational displays and programs that benefit the public. By giving the same tax treatment to qualified zoos as public museums, this bill will promote fairness and consistency. If this bill passes, qualified zoos can invest the tax savings back into their programs. The revenue impact to the state is not large, and positive effects on qualified zoos will be great.

Persons Testifying: PRO: Senator Kohl-Welles, prime sponsor; Martin Flynn, Dr. Deborah Jensen, Woodland Park Zoo Society.