

SENATE BILL REPORT

SHB 1321

As of March 25, 2009

Title: An act relating to the tax on cleaning up radioactive waste and other by-products of weapons production and nuclear research and development.

Brief Description: Concerning the tax on cleaning up radioactive waste and other byproducts of weapons production and nuclear research and development.

Sponsors: House Committee on Finance (originally sponsored by Representatives Kenney, McCoy, Haler, Chandler, Ericks, Ormsby, Hasegawa, Pettigrew, Walsh, Klippert and Armstrong).

Brief History: Passed House: 3/09/09, 95-1.

Committee Activity: Ways & Means: 3/23/09.

SENATE COMMITTEE ON WAYS & MEANS

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. In general, there are no deductions for the costs of doing business. The principal rates are 0.484 percent for manufacturing and wholesaling, 0.471 percent for retailing, and 1.5 percent for services and all other activities.

In 1996 the Legislature enacted a reduced B&O rate of 0.471 percent for cleaning up the Hanford site. Previously, persons performing cleanup activities for the U.S. government paid under the government contractor rate. Activities had to be integral and necessary to the direct performance of cleanup to qualify for the reduced B&O rate.

Summary of Bill: Persons providing certain support services which are either within the scope of work under a cleanup contract with the United States Department of Energy or which assist in the requirement of a cleanup subcontract are qualified for the reduced B&O rate for radioactive waste cleanup.

Only the following routinely provided services are considered to contribute to the accomplishment of a requirement of a cleanup project: information technology and computer support; services rendered in respect to infrastructure; and security, safety, and health

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services.

The reduced B&O rate does not apply to general accounting services, but does apply to performance audits. Further, the reduced B&O rate does not apply to general legal services, but does apply to legal services that assist in the accomplishment of a cleanup project. General office janitorial services do not qualify, but specialized cleaning of equipment exposed to radioactive waste does qualify.

The act takes effect October 1, 2009, and applies prospectively.

The reduced B&O tax rate expires on July 1, 2015.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: October 1, 2009.

Staff Summary of Public Testimony: PRO: This bill clarifies the excise tax treatment of cleanup activities and provides consistency. The bill is tailored to include only cleanup activities, including support services. It also helps ensure federal funding for cleanup activities is maximized. Expediting and completing the cleanup at Hanford has been a state and local priority. The cleanup effort has created and retained jobs in the Tri-cities area. Each of those jobs, in turn, supports two to three other jobs in the area. Without this tax adjustment, there could be employment reductions and cleanup could take longer. The United States Department of Energy (USDOE) indicates that security is an important element of cleanup activities. Security is necessary to the direct performance of cleanup activities, and is critical to worker safety.

CON: The USDOE is obliged to provide funding that is necessary to perform all cleanup activities, which includes state taxes, so reducing the tax only reduces the amount of money they are required to request. Therefore, this bill is not a funding source and does not mean additional resources for cleanup activities. There are inconsistencies in the analyses that cleanup activities are integral and necessary for purposes of determining tax treatment, but not for the purposes of employee eligibility for retirement benefits.

Persons Testifying: PRO: Representative Kenney, prime sponsor; Senator Delvin; Jerry Smeads, Northwest Environmental Business Council; Carl Adrian, Tri City Development Council; Carol Moser, citizen.

CON: Glynn Stevens, Hanford Retirement Benefits Action Committee; Bob Cooper, Heart of America Northwest.