
Finance Committee

HB 2678

Brief Description: Providing greater small business assistance by modifying the filing threshold for excise tax purposes.

Sponsors: Representatives Senn, Stonier, Nealey, Harris, Seaquist, Bergquist, Fey, Magendanz, Morrell, Tharinger, Clibborn, Freeman, Haigh, Habib, Stanford, Kagi, Haler and Gregerson; by request of Governor Inslee.

Brief Summary of Bill

- Creates a uniform gross income threshold for businesses to qualify for active non-reporting status.

Hearing Date: 2/4/14

Staff: Richelle Geiger (786-7175).

Background:

Business and occupation tax.

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. A business may have more than one B&O tax rate, depending on the types of activities conducted. Major tax rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent for services, and activities not classified elsewhere. Several lower rates also apply to specific business activities. There are currently 12 B&O tax rates for 51 business tax classifications.

Public utility tax.

Public utility tax (PUT) is a privilege tax imposed on the gross income of public and privately owned utility firms, including the general categories of transportation, communications, and the supply of energy and water. The PUT is imposed on the income generated by utility operations

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in lieu of the B&O tax; other income of the utility firm (e.g. retail sales of tangible personal property) is subject to B&O tax. The tax rates are 5.029 percent for distribution of water; 3.873 percent for generation and distribution of electrical power; 3.852 percent for telegraph companies, distribution of natural gas, and collection of sewerage; 0.642 percent for urban transportation and watercraft vessels under 65 feet in length; and 1.926 percent for railroads, railroad car companies, motor transportation, and all other public service businesses.

Active non-reporting status.

Businesses that meet certain criteria may be eligible for active non-reporting status. Businesses assigned active non-reporting status are operational in Washington but are not required to file tax returns. To qualify, a business must meet the following criteria; (1) business activity does not require the collection of retail sales tax; (2) gross income for B&O tax purposes is less than \$28,000 per year or \$46,667 per year for most service-orientated businesses; (3) gross income for PUT purposes is less than \$24,000 per year; and (4) the business does not owe any other tax or fee to the Department of Revenue.

Summary of Bill:

The gross income threshold to qualify for active non-reporting status is increased to \$50,000 a year for both B&O and PUT purposes.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 2014.