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## Finance Committee

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### HB 2550

**Brief Description:** Providing tax exemptions for the assistance of disabled veterans and members of the armed forces of the United States of America.

**Sponsors:** Representatives Muri, Kilduff, Reeves, Stanford, Shea and Johnson.

#### Brief Summary of Bill

- Provides a B&O tax exemption for amounts received from sales on a military reservation by a nonprofit that operates an adaptive recreational facility that serves disabled veterans and members of the armed forces.
- Provides a retail sales tax exemption for sales on a military reservation by a nonprofit that operates an adaptive recreational facility that serves disabled veterans and members of the armed forces.
- Provides a tax preference performance statement.

**Hearing Date:** 1/23/18

**Staff:** Rachelle Harris (786-7137).

#### **Background:**

##### Business and Occupation Tax.

Washington's business and occupation (B&O) tax is imposed on the gross receipts of all in-state business activities, except utility activities, on every person who has a substantial nexus to the state for the act or privilege of doing business.

##### Sales and Use Tax.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. If retail sales taxes are not collected when the user acquires the property, digital products, or services, then use taxes apply to the value when used in this state. The state, all cities, and all counties levy retail sales and use taxes. The state sales and use tax

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rate is 6.5 percent. Local sales and use tax rates vary from 0.5 percent to 3.9 percent, depending on the location.

#### Tax Preferences.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, deferrals, credits, and preferential tax rates. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided. The Joint Legislative Audit and Review Committee (JLARC) is responsible for periodic review of tax preferences.

#### Adaptive Recreation and Rehabilitation.

Adaptive recreation or rehabilitation is the use of activity modifications or assistive technologies to allow people with disabilities to participate in recreational activities, sports, or physical rehabilitation efforts.

#### **Summary of Bill:**

Sales made on a military reservation by a nonprofit operating an adaptive recreational and rehabilitation facility that is dedicated to the assistance of disabled veterans and members of the armed forces are exempted from the B&O tax.

Sales made on a military reservation by a nonprofit operating an adaptive recreational and rehabilitation facility that is dedicated to the assistance of disabled veterans and members of the armed forces are also exempted from retail sales tax.

The bill contains a tax preference performance statement requiring JLARC to evaluate the utilization of adaptive recreational and rehabilitation facilities by disabled veterans and members of the armed forces.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.