

# SENATE BILL REPORT

## SB 5148

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As of February 13, 2017

**Title:** An act relating to removing the expiration date of the business and occupation tax deduction for cooperative finance organizations.

**Brief Description:** Removing the expiration date of the business and occupation tax deduction for cooperative finance organizations.

**Sponsors:** Senators Baumgartner, Ranker, Padden, Conway, Zeiger, Chase, Honeyford, Palumbo, Takko, Warnick and Billig.

**Brief History:**

**Committee Activity:** Ways & Means: 2/14/17.

**Brief Summary of Bill**

- Removes the expiration date for the Business and Occupation (B&O) deduction provided to nonprofit cooperative organizations.
- Exempts the B&O deduction from the automatic ten-year expiration for tax preferences, as well as a tax preference review by the Joint Legislative audit and Review Committee (JLARC).

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Dean Carlson (786-7305)

**Background:** The primary purpose of nonprofit cooperative finance organization is to provide, secure, or otherwise arrange the financing for rural electric cooperatives. A rural electric cooperative provides utility services to rural areas of Washington. The Washington Rural Electric Cooperative Association identifies 15 rural electric cooperatives in Washington. The cooperatives serve over 280,000 customers in Washington. The rates and policies are set by the locally elected board of directors.

In 2013, the Legislature granted a B&O deduction to nonprofit cooperative organizations on amounts derived from loans to rural electric cooperatives, or other nonprofit or governmental providers of utility services. This exemption expires July 1, 2017. There are currently less

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than three nonprofit cooperative finance organizations in Washington taking advantage of this tax exemption.

**Summary of Bill:** The expiration date is removed for the B&O deduction provided to nonprofit cooperative organizations. The B&O deduction is exempted from the automatic ten-year expiration for tax preferences, as well as JLARC's tax preference review.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 2017.