
Finance Committee

HB 2121

Brief Description: Providing ongoing funding under the current funding model to the forest and fish support account by extending the current forest products business and occupation tax rate with the associated surcharge in RCW 82.04.261.

Sponsors: Representatives Chapman, Maycumber, Tharinger, Kretz, Blake and Fitzgibbon.

Brief Summary of Bill

- Extends a preferential business and occupation tax rate on certain timber-related activities.

Hearing Date:

Staff: Richelle Geiger (786-7139).

Background:

Business and Occupation Taxes.

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of all taxable business activities conducted within the state, unless otherwise exempt. There is no deduction for the costs of doing business. Revenues are deposited into the State General Fund. There are several rate categories and a business may be subject to more than one B&O tax rate, depending on the types of activities conducted. Major B&O tax rates are: 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent for services and for activities not classified elsewhere. Several preferential rates also apply to specific business activities. Business and occupation taxes are collected by the Department of Revenue.

Business and Occupation Taxes–Timber Products.

In 2006 B&O tax rate reductions were provided for the timber industry. The B&O tax rate was reduced for the activities of extracting timber or extracting for hire timber, or manufacturing or processing for: hire logs, wood chips, sawdust, wood waste, pulp, recycled paper products,

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paper and paper products, dimensional lumber, and engineered wood products, plywood, wood doors, and wood windows. The lower B&O tax rate also applies to the sale of standing timber. The preferential B&O tax rate for these activities is 0.3424 percent, comprised of a base rate of 0.2904 percent plus a surcharge of 0.052 percent. The base rate and surcharge expire on July 1, 2024.

The receipts from the surcharge are deposited into the forest and fish account. The forest and fish account is used for forest and fish related expenditures and activities including, but not limited to: adaptive management, monitoring, and participation grants to tribes, state and local agencies, and not-for-profit public interest organizations. When surcharge receipts reach \$8 million during a biennium, collection of the surcharge is suspended. The surcharge is also subject to suspension or adjustment depending on amounts appropriated by the Federal Government to support tribal participation.

Tax Preference Performance Statement and Expiration Date.

All new tax preference legislation must include a tax preference performance statement, unless exempted. Tax preferences include deductions, exemptions, preferential tax rates, and tax credits. The performance statement must clearly specify the public policy objectives of the tax preference, and the specific metrics and data that will be used by the Joint Legislative Audit and Review Committee to evaluate the efficacy of the tax preference.

New tax preferences expire 10 years after the effective date of the tax preference, unless otherwise provided.

Summary of Bill:

The expiration date of the preferential B&O tax rate, both the base rate and the surcharge, associated with certain timber products is extended from July 1, 2024 to July 1, 2036. The extension of the reduced tax rate is exempted from the requirement to include a tax preference performance statement.

Appropriation: None.

Fiscal Note: Available.

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