

SENATE BILL REPORT

SB 5988

As of March 25, 2019

Title: An act relating to reducing a tax preference for prescription drug warehousing to invest in opioid abuse treatment services in rural and high-need areas.

Brief Description: Reducing a tax preference for prescription drug warehousing to invest in opioid abuse treatment services in rural and high-need areas.

Sponsors: Senators Carlyle, Rolfes, Frockt, Kuderer and Hasegawa.

Brief History:

Committee Activity: Ways & Means: 3/26/19.

Brief Summary of Bill

- Eliminates a preferential business and occupation tax rate for prescription drug warehousing.
- Dedicates the increased revenue to opioid abuse treatment services in rural and high-need areas.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Jeffrey Mitchell (786-7438)

Background: 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 the 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, preferential rates also apply to specific business activities.

A preferential B&O tax rate of 0.138 percent is provided to businesses that warehouse and resell prescription drugs to retailers, hospitals, clinics, health care providers, or other providers of health care services. Without the preferential B&O tax rate, these businesses would pay the wholesaling B&O tax rate of 0.484 percent.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Bill: The preferential rate for resellers of prescription drugs is repealed. Resellers of prescription drugs are subject to the 0.484 percent wholesaling rate.

The Department of Revenue is required to estimate the increase in state revenues from eliminating the preferential tax rate and notify the Legislature budget committees of the amount. The state budget must explicitly dedicate the increased revenue to opioid abuse treatment services in rural and high-need areas.

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, 2019.