
Finance Committee

HB 1285

Brief Description: Modifying the business and occupation tax exemption for certain fruit and vegetable businesses.

Sponsors: Representatives Ormsby, Ortiz-Self, Santos, Rule, Pollet and Harris-Talley.

Brief Summary of Bill

- Provides that a taxpayer is ineligible for the fruit and vegetable businesses business and occupation tax exemption if, in the prior two years, the taxpayer was found to have violated any employment, labor, or civil rights laws of any jurisdiction.
- Requires taxpayers claiming the fruit and vegetable businesses business and occupation tax exemption to annually disclose any adjudicated action against the taxpayer related to any employment, labor, or civil rights laws.
- Specifies that information provided on an annual tax performance report must be made available for the public to inspect upon request, with some exceptions.

Hearing Date: 2/17/21

Staff: Nick Tucker (786-7383).

Background:

Business & Occupation Tax.

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

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.

Fruit and Vegetable Businesses B&O Tax Exemption.

Businesses that manufacture or process fresh fruits or vegetables are exempt from the B&O tax. Eligible activities include canning, preserving, freezing, processing, or dehydrating of these agricultural products. The exemption also applies to the activities of wholesaling products manufactured to a buyer that transports the products outside Washington. "Fruits" and "vegetables" do not include marijuana, useable marijuana, or marijuana-infused products.

Annual Tax Performance Report.

Taxpayers claiming certain tax preferences are required to file an annual tax performance report. The report requires taxpayers to provide certain information including the amount of tax preference claimed and specified employment details of the business.

Other than additional information requested by the Department of Revenue or the Joint Legislative Audit and Review Committee to be used to evaluate the tax preference or determine eligibility, information on the annual tax performance report may be disclosed to the public upon request.

Summary of Bill:

Fruit and Vegetable Business B&O Tax Exemption.

A taxpayer is ineligible for the fruit and vegetable business B&O tax exemption in a given year if, in the prior two years, the taxpayer was found to have violated any employment, labor, or civil rights laws of any jurisdiction. If a taxpayer becomes ineligible for the exemption, but the violation is later overturned on appeal, then the taxpayer may claim a refund for the amount that would have otherwise been exempt.

A taxpayer claiming the fruit and vegetable business B&O tax exemption must annually disclose any adjudicated action, arising from any legal judgments, lawsuits, proceedings, or charges, against the taxpayer related to any employment, labor, or civil rights laws. Such laws include:

- wage and hour laws as provided in RCW 49.12.020 and 49.12.150;
- breaks and schedules rules as set by the Department of Labor and Industries;
- human rights or discrimination laws as provided in RCW 49.60.030;
- sexual harassment laws as provided in chapter 49.60 RCW;
- workplace pregnancy accommodations as provided in RCW 43.10.005;
- health and safety laws as provided in chapter 49.17 RCW; and
- laws, rules, or regulations related to wrongful termination or unfair labor practices.

The Department of Revenue must prescribe forms and set a due date for the disclosure in rule. The first annual disclosure must be due no later than December 31, 2021.

Annual disclosures must be verified for accuracy by the Department of Labor and Industries. Organizations representing workers may submit reports of adjudicated actions to the Department of Labor and Industries.

Annual Tax Performance Report.

Other than additional information requested by the Department of Revenue or the Joint Legislative Audit and Review Committee to be used to evaluate the tax preference or determine eligibility, information on the annual tax performance report must be made available for the public to inspect and the Department of Revenue must make such information publicly available upon request.

Appropriation: None.

Fiscal Note: Requested on January 19, 2021.

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