

SENATE BILL REPORT

SB 5220

As of January 25, 2021

Title: An act relating to the taxation of salmon recovery grants by updating the state business and occupation tax deduction for these grants, creating a sales and use tax exemption for grant proceeds received by recipients of these grants, and clarifying the sales and use tax obligations for goods and services purchased by recipients of these grants.

Brief Description: Concerning the taxation of salmon recovery grants by updating the state business and occupation tax deduction for these grants, creating a sales and use tax exemption for grant proceeds received by recipients of these grants, and clarifying the sales and use tax obligations for goods and services purchased by recipients of these grants.

Sponsors: Senators Van De Wege and Rolfes; by request of Department of Revenue.

Brief History:

Committee Activity: Agriculture, Water, Natural Resources & Parks: 1/26/21.

Brief Summary of Bill

- Exempts salmon recovery grants provided to nonprofit organizations from retail sales and use tax.
- Expands the business and occupation tax deduction for salmon recovery grants to nonprofit organizations to include grants from tribal governments.

SENATE COMMITTEE ON AGRICULTURE, WATER, NATURAL RESOURCES & PARKS

Staff: Jeff Olsen (786-7428)

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

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state, without any deduction for the costs of doing business.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.9 percent, depending on the location.

Legislation enacted in 2004 provides a deduction from B&O tax for amounts received by a nonprofit organization from the United States, the state of Washington, or local governments as grants to support salmon restoration purposes. In 2019, the Department of Revenue issued an interim guidance statement to address the tax-reporting responsibilities of nonprofit conservation organizations receiving income from government agencies to coordinate or facilitate habitat restoration projects for fish and wildlife. The interim guidance states that generally, nonprofit organizations are subject to B&O tax and retail sales tax unless there is a specific tax exemption or deduction.

Summary of Bill: A retail sales tax exemption is provided for a qualifying grant made by federal, state, tribal, and local governments for salmon habitat restoration. The existing B&O tax exemption is expanded to include grants received by a nonprofit organization from tribal governments.

A salmon recovery grant includes financial assistance provided to primarily benefit the public as a whole by renewing, restoring, or protecting salmon ecosystems or habitats by human intervention.

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 immediately.