

FINAL BILL REPORT

SHB 1413

FULL VETO

As Passed Legislature

Brief Description: Allowing a business and occupation tax deduction for certain amusement devices.

Sponsors: House Committee on Finance (originally sponsored by Representatives Boldt, Morris, Lisk, Mulliken and Kremen).

House Committee on Finance

Background: Washington's major business tax is the business and occupation (B&O) tax. Although there are several different rates, the principal rates are:

Manufacturing, wholesaling, & extracting 0.506%

Retailing 0.471%

Services:

- Business Services 2.5%

- Financial Services 1.7%

- Other activities 2.09%

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. Thus, the tax pyramids at each level of activity. For example, retailers are not allowed to deduct amounts paid to wholesalers; and contractors are not allowed to deduct amounts paid to a subcontractor. Similarly, in the amusement game industry, the owner of an amusement device pays tax on the entire gross receipts received through a game machine, without deduction for amounts paid to the establishment in which it is located. An exception to this rule is allowed for real estate brokers, who may deduct commissions paid to another brokerage.

Summary: For B&O tax purposes, the owner of a coin-operated video game, pinball machine, juke box, or other similar device may deduct amounts paid to the person upon whose premises the device is operated, as long as the amusement device owner pays the premises owner at the time the amounts are collected from the amusement device.

Votes on Final Passage:

House 84 14

First Special Session

House 82 15

Second Special Session

House 80 13

Senate 36 10