

FINAL BILL REPORT

SB 5402

C 388 L 97

Synopsis as Enacted

Brief Description: Providing tax exemptions for nonprofit camps and conferences.

Sponsors: Senators Roach, Johnson, Sheldon, Bauer, Patterson and Haugen.

Senate Committee on Ways & Means

Background: Nonprofit organizations are subject to the business and occupation (B&O) tax on their income and must collect sales taxes on their sales unless specifically exempt by statute. Exemption from federal income tax does not automatically provide an exemption for state taxes. Most nonprofit organizations pay B&O tax at the services rate of 1.829 percent. However, because of the \$420 per year B&O tax credit, nonprofit organizations with gross incomes below \$22,963 per year owe no B&O tax.

Current law exempts several nonprofit organizations from B&O tax, including adult family homes licensed by the state, nonprofit organizations that are guarantee agencies under the federal guaranteed student loan program, credit and debt counseling organizations, corporations created by Congress to provide aid to members of the armed forces (Red Cross), and sheltered workshops.

In addition, nonprofit organizations are exempt from B&O tax and are not required to collect sales tax on the following fund-raising activities.

Public Benefit Organization Auctions. Income from fund-raising auctions conducted by nonprofit organizations exempt from federal income tax under section 501(c)(3) of the federal Internal Revenue Code is exempt from B&O tax and sales tax if the auction is held no more than once a year for a period no greater than two days. Organizations exempt from federal income tax under section 501(c)(3) of the federal Internal Revenue Code include organizations which are organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes; or to foster national or international amateur sports competition; or for the prevention of cruelty to children or animals. No part of the net earnings may inure to the benefit of any private individual or shareholder, nor may a substantial part of the activities of which is to attempt to influence legislation. In addition, the organization may not participate in any political campaign.

Bazaars and Rummage Sales. The first \$20,000 raised from bazaars and rummage sales conducted by nonprofit organizations received in a calendar year is exempt from B&O tax, and the organization does not have to collect sales tax, if the sales are conducted no more than twice each year and each sale lasts no more than two days.

Fund-raising Drives/Concessions. By rule of the Department of Revenue, income from fund-raising drives and concessions conducted by nonprofit organizations other than public benefit

organization auctions is exempt from B&O tax and sales tax if the activities meet the criteria for exemption as bazaars and rummage sales.

Meals. By rule of the Department of Revenue, income to nonprofit organizations from the serving of meals for fund-raising purposes is exempt from B&O tax and sales tax if the meals are served no more frequently than once every two weeks and the gross receipts are \$1,000 or less.

In addition, bona fide initiation fees, dues, contributions, donations, and tuition fees may be deducted from income in computing tax liability unless the dues are in exchange for any significant amount of goods or services or the dues are graduated upon the amount of goods or services rendered.

Summary: The sales of certain goods and services by nonprofit camps and conference centers are exempt from retail sales tax and B&O tax. The exemption is limited to sales of: (a) lodging, conference and meeting rooms, camping facilities, and parking; (b) food and meals; and (c) books, tapes, and other products available exclusively to participants at the camp or conference and not available to the general public.

Votes on Final Passage:

Senate	41	0
House	95	2

Effective: October 1, 1997