

ANALYSIS OF HB 1130

House Agriculture & Ecology Committee

January 22, 1999

- Reduces the B&O tax rate for grain warehouses to 0.484% (from 1.5%); and
- Allows a grain warehouse to report for B&O tax purposes based on either a cash receipts or accrual basis regardless of its normal accounting methods.

BACKGROUND:

The Business and Occupation (B&O) taxation rate for storage warehouses is 0.484% times the gross income of the business. (RCW 82.04.280.) However, agricultural warehouses licensed by the Department of Agriculture are exempted from this tax rate, but are not given a specific other rate by the B&O statutes. Since a specific rate or exemption is not provided, the general B&O tax rate applies to the warehouses. The general rate is 1.5% times the gross income of the business. (RCW 82.04.280 and 82.04.290.)

In reporting for B&O tax purposes, a taxpayer is to report on a cash receipts or accrual basis according to the method of accounting regularly employed in keeping the taxpayer's books. (RCW 82.04.090.) If the books are kept on the basis of charges that are accruing, reporting for B&O tax purposes is to be based on those accruals although payment for those accruing changes may not have been made. For example, charges may be accruing for the storage of grain and B&O taxes paid by the grain warehouse on those accruing storage charges although payment for the storage charges may not be received until after the grain is sold to a third party.

SUMMARY OF BILL:

The B&O tax rate for grain warehouses is changed to 0.484% times the gross income of the warehouse. (Sections 2 and 3.)

A person operating a grain warehouse may elect to report for B&O tax purposes based on either a cash receipts or accrual basis regardless of the accounting method regularly employed by the warehouse. (Section 1.)

EFFECTIVE DATE: The bill contains an emergency clause and the substantive provisions take effect July 1, 1999. (Section 5(2).)