

HOUSE BILL REPORT

SB 5661

*As Reported By House Committee on:
Trade & Economic Development*

Title: An act relating to the business and occupation taxation of payments and contributions to nonprofit corporations by public entities.

Brief Description: Adding a business and occupation tax deduction.

Sponsor(s): Senators McDonald, A. Smith and Bluechel.

Brief History:

Reported by House Committee on:
Trade & Economic Development, April 4, 1991, DPA.

**HOUSE COMMITTEE ON
TRADE & ECONOMIC DEVELOPMENT**

Majority Report: *Do pass as amended.* Signed by 11 members: Representatives Cantwell, Chair; Sheldon, Vice Chair; Forner, Ranking Minority Member; Betrozoff, Assistant Ranking Minority Member; Ferguson; Kremen; Ludwig; Moyer; Rasmussen; Riley; and Roland.

Staff: Charlie Gavigan (786-7340).

Background: Nonprofit organizations pay business and occupation taxes unless specifically exempted by statute. Most nonprofit organizations pay business and occupation tax at the services rate of 1.5 percent.

Summary of Amended Bill: A deduction is authorized from the business and occupation tax for nonprofit corporations for payments and contributions from public entities for the promotion of conventions, tourism, or economic development.

The bill applies both prospectively and retrospectively. Retrospective application can terminate liability for uncollected taxes, but tax refunds are not allowed.

Amended Bill Compared to Original Bill: Clarification is made that the deduction also applies to payments or contributions by the federal government. Retrospective application of the act is clarified. A severability clause is added.

Fiscal Note: Available.

Effective Date of Amended Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: Public funds paid to nonprofit organizations for public benefit should not be subject to the business and occupation tax.

Testimony Against: None.

Witnesses: Becky Bogard, Seattle Visitor and Convention Bureau (supports); Cliff Webster, Hotels and Motels of Seattle (supports); Nancy Bratton, Seattle Chamber of Commerce (supports); Ryan Petty, Economic Alliance of Washington; Scott Taylor, Washington Public Ports Association (supports); Judith St. Claire, Clallam County Economic Development Council (supports); and Cliff Ellenwood, Department of Revenue (concerns).