

HOUSE BILL REPORT

SB 5164

As Reported By House Committee On:
Revenue

Title: An act relating to nonprofit organizations providing credit services.

Brief Description: Exempting nonprofit organizations providing credit services from the business and occupation tax.

Sponsors: Senators Wojahn and Talmadge.

Brief History:

Reported by House Committee on:
Revenue, March 26, 1993, DP.

HOUSE COMMITTEE ON REVENUE

Majority Report: Do pass. Signed by 10 members: Representatives G. Fisher, Chair; Holm, Vice Chair; Foreman, Ranking Minority Member; Brown; Cothorn; Morris; Silver; Talcott; Thibaudeau; and Van Luven.

Minority Report: Do not pass. Signed by 3 members: Representatives Romero; Rust; and Wang.

Staff: Rick Peterson (786-7150).

Background: Nonprofit organizations pay Business and Occupation (B&O) tax unless specifically exempted by statute. Exemption from federal income tax does not automatically provide exemption from state taxes. Most nonprofits pay B&O tax at the services rate of 1.5 percent.

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 of Bill: Nonprofit organizations that provide credit and debt education, counselling, and negotiation services are exempt from Business and Occupation tax.

Fiscal Note: Available.

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

Testimony For: Financial resources for education would be lost if this bill does not pass. The amount of people whom these services are able to assist would be positively impacted by the passage of this bill. If this tax is imposed, the expense will be passed on to the debtors. These services have the unique role of being an advocate for the public.

Testimony Against: This bill would set a precedent for other organizations, who wholly or partially receive dues or donations in lieu of fees for services, to seek similar treatment.

Witnesses: Laura Johnson, Consumer Credit Counseling Service of Tacoma/Pierce County; Merry Ames, Consumer Credit Counseling Service of Yakima; and Gary Gardner, Washington Credit Union League (all in favor). Donn Smallwood, Department of Revenue (opposed).