

HOUSE BILL REPORT

HB 2080

As Reported By House Committee On:
Revenue

Title: An act relating to exempting juvenile newspaper carriers from business and occupation tax.

Brief Description: Exempting juvenile newspaper carriers from business and occupation tax.

Sponsors: Representatives Ballard, Peery, G. Fisher, Foreman, Romero, Fuhrman, Cothorn, Thibaudeau, Van Luven, Wang, Morris, Anderson, Brumsickle, Sheldon, Silver, Brough, Mielke, Johanson, Padden, L. Johnson, Kremen, Eide, Chandler, Edmondson, Wood, Cooke, Miller, J. Kohl, Stevens, Reams, Schoesler, Ballasiotes and Horn.

Brief History:

Reported by House Committee on:
Revenue, February 2, 1994, DPS.

HOUSE COMMITTEE ON REVENUE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives G. Fisher, Chair; Holm; Foreman, Ranking Minority Member; Fuhrman, Assistant Ranking Minority Member; Anderson; Brown; Caver; Cothorn; Leonard; Romero; Rust; Silver; Talcott; Thibaudeau; Van Luven and Wang.

Staff: Rick Peterson (786-7150).

Background: Washington's major business tax is the business and occupation tax. This tax is imposed on the gross receipts from all activities engaged in for profit, except specific activities and types of income exempted from the tax. Deductions for the costs of doing business are not allowed. A threshold exemption exempts some small business. The current threshold is \$1,000 per month. Businesses with gross incomes less than the threshold are not subject to tax. Businesses with gross incomes greater than the threshold are subject to tax on their entire gross incomes.

Cities and towns have general licensing powers that include the power to impose a fee or tax for the privilege of doing business within the city or town. These fees and taxes are often called "business and occupation taxes" (B&O tax) and

are often based on gross receipts. However, cities and towns are not required to use the same structure of taxable activities, rates or exemptions that the state uses for its B&O tax. Counties do not have the same general licensing powers as cities and towns. Nor are they authorized to impose gross receipts taxes.

Summary of Substitute Bill: Juvenile newspaper carriers are exempt from state, city and town business and occupation taxes.

Substitute Bill Compared to Original Bill: The substitute clarifies the restriction on cities. It also removes the restriction on counties since counties do not have this regulatory or revenue-generating licensing authority.

Fiscal Note: Requested on February 3, 1994.

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

Testimony For: There is a big difference between newspaper carriers and regular businesses, and newspaper carriers should not have to register and pay B&O tax. Often, when a newspaper carrier registers with the state, the local city or town requires the newspaper carrier to get a business license and pay business license fees.

Testimony Against: None.

Witnesses: Representative Clyde Ballard, prime sponsor; Trevor Rowe, Allied Daily Newspapers of Washington State; and April Schrock, newspaper carrier (all pro).