

SENATE BILL REPORT

SB 6606

AS PASSED SENATE, FEBRUARY 24, 1994

Brief Description: Repealing the general business and occupation surtax.

SPONSORS: Senators Rinehart, Gaspard, Quigley, Ludwig, A. Smith, Sutherland, Skratek, Haugen, McAuliffe, Sheldon, Bauer, Snyder, Spanel, Owen, Williams, Wojahn, Prentice, Fraser, Drew, L. Smith, Amondson, Bluechel, Schow, Morton, Cantu, Sellar, Newhouse, Anderson, Oke, McDonald, Nelson, Hochstatter, Roach, West, Moyer, Deccio, Erwin and Winsley

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Rinehart, Chairman; Quigley, Vice Chairman; Anderson, Bauer, Bluechel, Cantu, Gaspard, Hargrove, Hochstatter, Ludwig, McDonald, Moyer, Owen, Roach, L. Smith, Snyder, Spanel, Sutherland, West, Williams and Wojahn.

Staff: Terry Wilson (786-7715)

Hearing Dates: February 23, 1994

HOUSE COMMITTEE ON REVENUE

BACKGROUND:

Washington's major business tax is the business and occupation (B&O) tax. This tax is imposed on the gross receipts of business activities conducted within the state. Although there are several different rates, the principal rates are:

Retailing activities	0.471%
Manufacturing, wholesaling, & extracting	0.515%
Miscellaneous services	2.13%
Selected business services	2.5%

Since the B&O tax is a gross receipts tax, deductions for the costs of doing business are not permitted. Some other deductions are allowed, but most of these are really exemptions of certain types of gross income or business activities.

In 1993, the B&O tax rate on selected business services was increased from 1.5 percent to 2.5 percent, the rate on financial businesses was increased from 1.5 percent to 1.7 percent, and the rate on all other services was increased from 1.5 percent to 2.0 percent. Also in 1993, the B&O tax was extended to public and nonprofit hospitals at the rate of .75 percent through June 30, 1995, and 1.5 percent thereafter.

In addition to these permanent tax increases, a 6.5 percent surtax was imposed for the period July 1, 1993, through June 30, 1997, on all B&O tax classifications except selected business services, financial services, retailing, and public and nonprofit hospitals.

SUMMARY:

The 6.5 percent surtax is repealed January 1, 1995.

Appropriation: none

Revenue: none

Fiscal Note: available

Effective Date: January 1, 1995

TESTIMONY FOR:

This surtax was enacted because of a fiscal emergency which no longer exists. It is a good message to the business community. It is questionable tax policy to give relief to selected businesses. This affects most businesses and is the broadest relief possible.

TESTIMONY AGAINST:

It is bad policy to give tax breaks while denying public employees salary raises yet another year.

TESTIFIED: Graham Fernald, Seattle Chamber of Commerce (pro); Carol Watts, Watts & Associates (pro with concerns); Carol Logue, NFIB (pro); Roy Wiseman, Assoc. of WA Business (pro); Bob Maier, WA Education Assoc. (con); Glen Hudson, Terry Hotvedt, WA Association of Realtors (pro)

HOUSE AMENDMENT(S):

Clarification is made that repeal of the surtax does not affect tax liability pre-dating the repeal, and the repeal does not take effect until July 1, 1997.