

HOUSE BILL REPORT

HB 1733

As Reported By House Committee On:

Finance

Title: An act relating to tax exemptions for nonprofit camps and nonprofit conference centers.

Brief Description: Providing tax exemptions for nonprofit camps and conferences.

Sponsors: Representatives Boldt, Padden, B. Thomas, D. Schmidt, Cooke, Stevens, L. Thomas and Goldsmith.

Brief History:

Committee Activity:

Finance: 2/28/95, 3/3/95 [DPS].

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives B. Thomas, Chairman; Boldt, Vice Chairman; Carrell, Vice Chairman; Morris, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Hymes; Mason; Mulliken; Pennington; Schoesler; Sheldon and Van Luven.

Staff: Bob Longman (786-7139).

Background:

Sales and Use Taxes The retail sales tax is imposed on sales of most articles of tangible personal property and some services including the furnishing of hotel/motel rooms. The sales tax is paid by the purchaser and collected by the seller. The state sales tax rate is 6.5 percent of the selling price. Local governments may levy additional sales taxes. The total state and local rate varies from 7 percent to 8.2 percent, depending on the location.

Washington law does not provide a general exemption from the retail sales tax for sales by nonprofit organizations. Most sales tax exemptions are for specific items, such as food for home consumption and prescription drugs. Nonprofit organizations generally collect tax from purchasers when selling goods and services subject to sales tax. A few exemptions exist for nonprofit organizations such as: sales of amusement

and recreation services by nonprofit youth organizations, and fund raising auction sales by public benefit nonprofit organizations.

Business and Occupation Tax

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. Nonprofit organizations pay B&O tax unless specifically exempted by statute. Exemption from federal income tax does not automatically provide exemption from state taxes.

Specific B&O exemptions, covering all or most income, exist for several types of nonprofit organizations. The eligibility conditions vary for each exemption. The exemptions include: nonprofit agricultural fairs, nonprofit church day care, bazaars and rummage sales, fund-raising auctions, nonprofit student loan agencies, nonprofit consumer debt counseling organizations, nonprofit fraternal organization for premiums for death benefits, the Red Cross, sheltered workshops, youth organizations for membership fees and certain service fees, trade shows, kidney dialysis facilities, health or social welfare organizations for income received from governments, nonprofit artistic and cultural organizations, and public safety standards and testing organizations.

Summary of Substitute Bill: The sales of certain goods and services by nonprofit camps and conference centers are exempt from retail sales tax and business and occupation tax. The exemption is limited to sales of: (a) lodging, conference and meeting rooms, camping facilities, and parking; (b) food and meals; and (c) books, tapes, and other products available exclusively to participants at the camp or conference and not available to the general public.

Substitute Bill Compared to Original Bill: The substitute bill clarifies that only nonprofit organizations are entitled to the exemption.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on March 6, 1995.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect on July 1, 1995.

Testimony For: This bill clarifies what is taxed and what is not. Many camps must compete with other states, including Oregon and Idaho. Historically, the tax has not been paid.

Testimony Against: None.

Testified: (Pro) Representative Marc Boldt, prime sponsor; Larry Hill, Seabeck Conference Center; and Sharon Foster, YMCAs of Washington and Council of Youth Agencies.