

FINAL BILL REPORT

SHB 1440

C 9 L 95 E2
Synopsis as Enacted

Brief Description: Providing tax exemptions for blood banks.

Sponsors: House Committee on Finance (originally sponsored by Representatives Boldt, Dyer, Morris, Backlund, Van Luven, Dellwo, Carrell, B. Thomas, L. Thomas, Thompson, Costa, Sherstad, Chandler, Kremen, Cooke and Jacobsen).

House Committee on Finance

Background:

Property Tax Property owned by a nonprofit organization and used exclusively in the business of procuring, processing, storing, distributing, or using whole blood, plasma, blood products, and blood derivatives is exempt from property tax. Leased property is not exempt.

Sales and Use Taxes The retail sales tax is imposed on sales of most articles of tangible personal property and some services. 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.

The use tax is imposed on the use of articles of tangible personal property when the sale of the property was not subject to sales tax. The use tax applies when property is acquired from out of state. It also applies when property is acquired from an in-state person who does not collect sales tax. Use tax is equal to the sales tax rate multiplied by the value of the property used.

Washington law does not provide a general exemption from the retail sales and use taxes for nonprofit organizations or government agencies. Most sales tax exemptions are for specific items, such as food for home consumption and prescription drugs. Nonprofit organizations generally pay tax when buying goods and services subject to sales tax. A few exemptions exist for nonprofit organizations such as sales to the Red Cross and sales of art objects to nonprofit artistic and cultural 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 organizations 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 Bill: The property tax exemption for nonprofit blood banks is extended to include nonprofit tissue banks. The property tax exemption is also extended from property owned by nonprofit blood banks to property leased by nonprofit blood and tissue banks. The nonprofit organization must receive the benefit of the exemption on the leased property.

A business and occupation tax exemption is created for nonprofit blood, bone, or tissue banks on income that is exempt from federal income tax.

A sales and use tax exemption is created on the purchase or use of medical supplies, chemicals or specialized materials for nonprofit blood, bone, or tissue banks. The sales and use tax exemption does not apply to construction materials, office equipment, building equipment, administrative supplies or vehicles.

Votes on Final Passage:

House 98 0

First Special Session

House 97 0

Second Special Session

House 93 0

Senate 35 13

Effective: July 1, 1995