

HB 1029

Bill Analysis

January 16, 1997

Brief Description: Modifying tax exemptions for nonprofit organizations.

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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.*

The state retail sales tax is imposed on retail sales of most items of tangible personal property and some services.

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

B&O and sales tax exemptions are provided for fund-raising auctions, bazaars and rummage sales, and sales of meals for fund-raising purposes, subject to the following limits.

Auctions: *Not more than one event per year. Not more than two days per event. (No dollar limit on amount raised.)*

Bazaars and rummage sales: *Not more than two events per year. Not more than two days per event. Exempt on first \$20,000 of gross receipts per year.*

Meals: *Not more than two events per week. Not more than \$1,000 per event.*

Libraries: *There are no B&O and sales tax exemptions on sales of used books, used videos, used sound recordings, and similar used information products.*

Summary of Bill: *The limits for B&O and sales tax exemptions for fund-raising activities are changed as follows.*

Auctions: *Not more than two events per year. Not more than five days per event. (No dollar limit.)*

Bazaars and rummage sales: *Not more than 12 events per year. Not more than five days per event. Exempt on first \$35,000 of gross receipts per year.*

Meals: *Either (a) not more than one event every two weeks or (b) not more than five days per event and no more than three events a year. Exempt on first \$50,000 of gross receipts per year.*

Libraries: New B&O and sales tax exemptions are created for sales of used books, used videos, used sound recordings, and similar used information products if the proceeds support a public library. The first \$35,000 of gross receipts per year is exempt from B&O tax and sales tax collection requirements.

Effective Date: *The bill declares an emergency and takes effect July 1, 1997.*