

HOUSE BILL REPORT

HB 1154

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, Mulliken, Thompson and Dunn.

Brief History:

Committee Activity:

Finance: 3/7/97 [DP].

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 8 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Boldt; Kastama; Pennington; Schoesler and Van Luven.

Minority Report: Do not pass. Signed by 6 members: Representatives Dunshee, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Butler; Conway; Mason and Morris.

Staff: Linda Brooks (786-7153).

Background: *Sales and Use Taxes.* The retail sales tax is imposed on retail sales of most articles of tangible personal property and some services, including the furnishing of hotel/motel rooms. The state tax rate is 6.5 percent and is applied to the selling price of the article or service. In addition, local sales taxes apply. The total state and local sales tax rate ranges from 7 percent to 8.6 percent, depending on the location.

Sales tax applies when items are purchased at retail in the state. Sales tax is paid by the purchaser and collected by the seller. Use tax is imposed on the use of an item in this state, when the acquisition of the item has not been subject to sales tax. Use tax applies to items purchased from sellers who do not collect sales tax, items acquired from out-of-state, and items produced by the person using the item. 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 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 Taxes. 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 & Rummage Sales
- Nonprofit Fraternal Organization for Premiums for Death Benefits
- Nonprofit Student Loan Agencies
- Nonprofit Consumer Debt Counseling Organizations
- Fund-Raising Auctions
- Red Cross
- Sheltered Workshops
- Youth Organizations for Membership & Certain Fees
- Trade Shows
- Kidney Dialysis Facilities
- Health or Social Welfare Organizations for Income Received from Governments
- Nonprofit Artistic and Cultural Organizations
- Public Safety Standards and Testing Organizations

Fund-raising activities that are exempted from the sales and B&O taxes may still be subject to limitations on the use of tax-exempt property. Washington administrative rules limit a nonprofit's fund-raising activities that occur on a nonprofit's tax-exempt property to no more than five days per event.

Summary of 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 if:

- 1) the sales occur at a nonprofit camp or conference center;

- 2) the nonprofit camp or conference center also qualifies for a property-tax exemption; and
- 3) the nonprofit owner of the camp or conference center, or another eligible nonprofit organization, is selling the goods and services.

In addition to the nonprofit owner of a camp or conference center, other nonprofit organizations that rent the camp or conference center may qualify for the exemptions. If a nonprofit renting the facility would qualify for a property-tax exemption if it owned the facility, then such a nonprofit is also eligible for sales and B&O tax exemptions.

Items eligible for the nonprofit camp or conference center exemptions include 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.

The administrative rule limiting fund-raising activities on a nonprofit's tax-exempt property to five days per event is unaffected.

There is no use-tax exemption for items purchased at nonprofit camps and conference centers.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on October 1, 1997.

Testimony For: Nonprofit camps and conference centers seek to keep rates affordable. Nonprofit camps provide unique experiences for youth, including contact with nature and the outdoors. Camps qualify for property tax exemptions. Nonprofit camps should not have to pay sales and business and occupation taxes.

Testimony Against: None.

Testified: (Pro): Phil Peterson, American Camping Association; Ed McDowell, Christian Camping International; and John Welch, Christian Camping International.