

FINAL BILL REPORT

SHB 1261

C 238 L 97

Synopsis as Enacted

Brief Description: Requiring a ranged table in standard increments for the business and occupation tax small business credit.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Mulliken, Pennington, Boldt and Wensman; by request of Department of Revenue).

House Committee on Finance

Senate Committee on Ways & Means

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.

A small business credit is provided for the B&O tax. The maximum amount of credit is \$420 per year. The \$420 credit offsets any tax liability. The credit is phased out dollar-for-dollar by the amount the B&O tax liability exceeds \$420. If the tax liability is more than \$420 and less than \$840, the credit is equal to \$840 minus the initial tax liability. For example, if the initial liability is \$600, the credit is \$240 (\$840 minus \$600) and the net tax due is \$360 (\$600 minus \$240). If tax liability exceeds \$840 (twice the maximum credit), the credit is zero and the full amount of the tax is due.

All taxpayers are eligible to use this credit to reduce their B&O taxes. However, since the credit phases out at higher gross income amounts, only the smallest firms see a tax reduction.

Summary: The Department of Revenue may prepare a ranged tax credit table for use by taxpayers in taking the small business B&O tax credit. The table will cross reference tax liabilities with tax credits. The table must use tax ranges of no more than \$5 with cross references to the corresponding tax credits to be applied to those ranges. If the department prepares a table, all taxpayers are required to use the table to determine their credit amounts.

No taxpayer will owe a greater amount of tax as a result of the B&O tax credit table.

Votes on Final Passage:

House 97 0

Senate 47 0 (Senate amended)
House 89 0 (House concurred)

Effective: July 27, 1997