

# FINAL BILL REPORT

## SHB 1447

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### FULL VETO

Synopsis as Enacted

**Brief Description:** Providing tax exemptions related to thoroughbred horses.

**Sponsors:** By House Committee on Finance (originally sponsored by Representatives Robertson, L. Thomas, Clements, Kastama and Cooke).

**House Committee on Finance**  
**Senate Committee on Ways & Means**

**Background:** Washington's major business tax is the business and occupation (B&O) tax. In 1997, the Legislature eliminated the distinction between financial services, selected business services, and other services and consolidated these activities into a single tax rate. These changes will take place July 1, 1998. After July, the principal B&O tax rates will be:

Manufacturing, wholesaling, and extracting	0.484 percent
Retailing	0.471 percent
Services	1.5 percent

The B&O tax is imposed on the gross receipts of business activities conducted within the state without any deduction for the costs of doing business.

Persons who sell or lease thoroughbred racing horses pay the 0.471 percent retailing B&O tax on their gross receipts earned from selling horses at retail. Persons who sell thoroughbred racing horses at wholesale, however, are exempt from paying the 0.484 percent wholesaling B&O tax. A horse is sold at wholesale if the horse is resold within 60 days, there is no intervening use, and the seller receives a resale certificate from the buyer.

Horse breeders pay the 1.5 percent service B&O tax on gross receipts earned from stud fees. Persons who race, ride, exercise, groom or train the horses pay the 1.5 percent service B&O tax on their gross receipts received as compensation for their services. Owners of thoroughbred racing horses pay the 1.5 percent service B&O tax on gross receipts earned from racing purses and other awards.

**Summary:** Persons who race, raise, ride, exercise, groom, breed, train, or sell thoroughbred race horses are exempt from paying B&O taxes on any amounts received as compensation for these services or sales transactions. Compensation includes, but is not limited to, amounts received from purse winnings or awards.

**Votes on Final Passage:**

House 97 0

Senate 37 3