

HB 1689

Bill Analysis

February 19, 1997

Brief Description: Providing for small business tax relief.

Bill Sponsors: Representatives Mulliken, B. Thomas, Koster, Thompson, Boldt, Mielke, Ogden, Conway, Gardner and Smith.

Staff: Rick Peterson (786-7150)

Background: Washington's major business tax is the business and occupation (B&O) tax. This tax is imposed at several different rates 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 of \$420 per year or less. The credit is phased out dollar-for-dollar by the amount the B&O tax liability exceeds \$420. If 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 tax is due. Since the credit phases out at higher gross income amounts, only the smallest firms see a tax reduction.

Summary of Bill: The small business credit for the business and occupation tax is increased from \$420 to \$600 per year.

Fiscal Note: Available

Effective Date: The bill contains an emergency clause and takes effect July 1, 1997.

House of Representatives
Office of Program Research
Finance Committee

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