

February 24, 1997

BILL ANALYSIS

TO: Members, Committee on Trade and Economic Development
FROM: Kenny Pittman, Research Analyst (786-7392)
**RE: HB 1913 - Allowing tax deductions for nonprofit
convention and tourism promotion corporations.**

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. Nonprofit organizations in Washington are subject to the B&O tax in the same manner as profit-making businesses. The state does not provide a general exemption under the business and occupation tax for nonprofit organizations.

Many nonprofit organizations receive money in the form of gifts, donations, and contributions. Income from these sources is not taxable as long as it is not received in return for any goods or services. Income received in exchange for goods or services is subject to B&O taxation. Specific exceptions include, but are not limited to: nonprofit agricultural fairs, nonprofit church day care, Red Cross, nonprofit sheltered workshops, nonprofit youth organizations on membership fees and certain service fees, nonprofit trade shows, nonprofit health or social welfare organizations on income received from governments, nonprofit artistic and cultural organizations, and nonprofit public safety standards and testing organizations. There is also a general exemption on initiation fees, dues, contributions, donations, and tuition fees which benefits many nonprofit organizations.

SUMMARY:

Amounts received by a nonprofit organization as payments or contributions for the promotion of conventions and tourism is exempt from business and occupation (B&O) taxes, if received from the state, a local government, municipal corporation, quasi-municipal corporation, port district, or public corporation.

Appropriation: None.

Fiscal Note: Requested February 21, 1997.

Effective Date: Ninety days after adjournment of session in which bill is passed.