

HOUSE BILL REPORT

HB 1913

As Reported By House Committee On:

Trade & Economic Development

Title: An act relating to the business and occupation taxation of payments and contributions to nonprofit convention and tourism promotion corporations by public entities.

Brief Description: Allowing tax deductions for nonprofit convention and tourism promotion corporations.

Sponsors: Representatives Van Luven and Dickerson.

Brief History:

Committee Activity:

Trade & Economic Development: 2/24/97, 2/27/97 [DP].

HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass. Signed by 9 members: Representatives Van Luven, Chairman; Dunn, Vice Chairman; Veloria, Ranking Minority Member; Sheldon, Assistant Ranking Minority Member; Alexander; Ballasiotes; Mason; McDonald and Morris.

Staff: Kenny Pittman (786-7392).

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 B&O 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 the following: 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 of Bill: Amounts received by a nonprofit organization as payments or contributions for the promotion of conventions and tourism are exempt from B&O taxes, if these are received from the state, a local government, municipal corporation, quasi-municipal corporation, port district, or public corporation.

Appropriation: None.

Fiscal Note: Requested on February 21, 1997.

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

Testimony For: Taxing income received from a governmental entity for tourism promotion activities by a visitor and convention bureau reduces the amount available for promotion activities. This money is used to promote the area. Most visitor and convention bureaus are not paying the tax now, and the bill will help clarify this issue.

Testimony Against: None.

Testified: Becky Bogard, Washington Association of Visitor & Convention Bureaus (pro); Nancy Watkins, Tacoma-Pierce County Convention Bureau (pro); and Anais Winant, Seattle-King County Convention Bureau (pro).