

HB 2690

Bill Analysis

January 27, 1998

Brief Description: Providing open government through unedited televised coverage of state government proceedings.

Bill Sponsors: Representatives Pennington, Dunshee, Boldt, Morris, Kessler, Ogden, Dickerson, Butler, Conway, Cooper, Mason, Anderson, O'Brien, Constantine, Gardner, Kenney and Appelwick; by request of Governor Locke.

Staff: Linda Brooks, 786-7153.

Background: Washington's major business tax is the business and occupation (B&O) tax. It is imposed on the gross receipts of business activities within the state. 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 the principal B&O rates will be as follows:

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

Public and privately-owned utilities, and certain other businesses, are subject to the public utility tax instead of the business and occupation (B&O) tax. Like the B&O tax, the public utility tax is applied to the gross receipts of the business. The principal difference between the B&O tax and public utility taxes is a higher rate schedule applied under the public utility tax. Although many businesses subject to the public utility tax are also subject to regulation by the Utilities and Transportation Commission, there is no direct connection between regulatory status and tax status.

Public utility tax rates are as follows:

0.642%	Taxicabs, limousine services, other urban transportation carriers, and marine vessels for hire under 65 feet (except tugboats);
1.926%	Motor transportation (except urban transportation), tugboats, and public utilities not elsewhere classified;
3.852%	Railroad, express, telegraph, natural gas, and sewerage collection;

3.873% Light and power; and
5.029% Water distribution.

Summary of Bill: A person may claim a tax credit against B&O or public utility taxes for monetary donations made to support a nonprofit organization that provides unedited televised coverage of legislative proceedings or other governmental meetings of statewide significance.

Credits are allowed only for monetary donations such as cash, checks, or their equivalent. In order to claim the credit, a person must apply to the Department of Revenue (DOR). Once the DOR has granted credits worth \$2 million in fiscal year 1999, the DOR must disapprove any further applications. For subsequent years the \$2 million cap is annually adjusted upwards by use of the implicit price deflator for the prior year.

A person whose tax credit application is approved may apply the credit against B&O or public utility tax liability, but the same credit cannot be applied against both taxes.

Only monetary donations made to nonprofit organizations meeting the following criteria are eligible for the tax credits. The nonprofit must:

- 1) Produce unedited televised coverage of state legislative proceedings and other proceedings of statewide significance and not engage in any other activities;
- 2) Be exempt under 501 (c) (3) of the federal internal revenue code;
- 3) Have existed on January 1, 1998;
- 4) Be governed by a board of eight persons or more; and
- 5) Meet certain other nonprofit standards regarding compensation paid to officers, liquidation of assets, and other matters.

Appropriation: None.

Fiscal Note: Available.

Effective Date: July 1, 1998.