

SENATE BILL REPORT

SB 5549

As Reported By Senate Committee On:
Education, February 27, 1997

Title: An act relating to business and occupation tax credits for educational expenses at private K-12 schools.

Brief Description: Allowing business and occupation tax credits for educational expenses at private schools.

Sponsors: Senators Hochstatter, Hargrove, Zarelli, Finkbeiner, Strannigan, Johnson, Stevens and Schow.

Brief History:

Committee Activity: Education: 2/18/97, 2/27/97 [DPS-WM, DNP].

SENATE COMMITTEE ON EDUCATION

Majority Report: That Substitute Senate Bill No. 5549 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Hochstatter, Chair; Finkbeiner, Vice Chair; Johnson and Zarelli.

Minority Report: Do not pass.

Signed by Senators Goings and McAuliffe.

Staff: Karen Carter (786-7424)

Background: The business and occupation tax (B&O) is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities (except utility activities) conducted within the state.

Compulsory public school attendance is waived for children, age 8 to 18, who attend a private school that meets state minimum requirements specified in statute.

Summary of Substitute Bill: A credit is created against the business and occupation tax for expenses supporting the education of student(s) attending private K-12 schools.

For tax credit purposes, educational expenses are defined as "tuition expenses.— Expenses claimed cannot exceed 4 percent of B&O tax liability for the year, nor can such credit carry over to a subsequent tax year.

To qualify, a taxpayer's annual B&O liability must equal or exceed \$2,500. The taxpayer may not claim more than 100 scholarships as a B&O credit in the year such scholarships are provided, nor may an individual business claim a credit in excess of \$100,000.

The Department of Revenue must provide a simple procedure for taxpayers to claim and document their qualification for this B&O tax credit.

Substitute Bill Compared to Original Bill: The definition of educational expenses– is modified, removing books and materials– to limit allowable expenses for tax credit purposes to that of tuition alone. A ceiling is placed on the tax credit. The maximum dollar amount that may be claimed by an individual business for the year is \$100,000.

Appropriation: None.

Fiscal Note: Requested on February 10, 1997.

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

Testimony For: The credit assists students' families not otherwise able to attend a private school. Tax relief is limited and every dime will go for the education of a Washington student. Competition for students enhances everyone's educational opportunities.

Testimony Against: The state has drawn clear lines about what is "private" education and because this bill makes no such distinction, the act could be subject to challenge. The issue is one of fairness, and the state should do no less for the public school than what is proposed for the private school by providing a "voucher" in the form of a tax credit.

Testified: PRO: Senator Hochstatter, prime sponsor; Muriel Tingley, Washington Parents Coalition for Academic Excellence; Stephen Dinger, Washington Federation of Independent Schools; CON: Barbara Casey, WSPTA; Judy Hartmann, WEA; Dwayne Slate, WSSDA.