

# SENATE BILL REPORT

## SB 6571

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As of January 29, 1998

**Title:** An act relating to the business and occupation taxation of warehousing and reselling of pharmaceutical drugs subject to regulation by the federal drug enforcement administration and the state board of pharmacy.

**Brief Description:** Prescribing the taxation of businesses warehousing and selling pharmaceutical drugs.

**Sponsors:** Senators Wood, T. Sheldon, Snyder, Strannigan, Loveland, Patterson, Sellar, Johnson and West.

**Brief History:**

**Committee Activity:** Ways & Means: 1/29/98.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** David Schumacher (786-7474)

**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.

Although there are several different rates, beginning July 1, 1998, the principal rates will be as follows:

Manufacturing/wholesaling	0.484%
Retailing	0.471%
Services	1.5%

Wholesalers that sell goods to retailers pay wholesaling B&O (.484 percent) on the sales price of the goods sold.

Wholesalers that use a "third party" to distribute their goods are still liable for the wholesaling tax (.484 percent) on the entire sale price to the retailer. In addition, the third party distributor is liable for the tax (.484 percent) only on the income received for providing the distribution service.

**Summary of Bill:** Wholesalers that warehouse and resell pharmaceutical drugs are provided a tax reduction. The tax is based on a newly created category, "gross warehousing income," which is defined as 4 percent of gross income.

**Appropriation:** None.

**Fiscal Note:** Requested.

**Effective Date:** The bill takes effect on July 1, 1998.