

SENATE BILL REPORT

SB 5504

As of February 4, 1999

Title: An act relating to a tax exemption for certain amounts received by persons in the travel service business.

Brief Description: Exempting certain cost-sharing agreements and persons in the travel service business from the business and occupation taxation.

Sponsors: Senators Fraser, West, Loveland, Hale, T. Sheldon, Honeyford and Winsley.

Brief History:

Committee Activity: Ways & Means: 2/3/99.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7433)

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. There are no deductions for the costs of doing business. Currently, there are six different B&O tax rates. The three principal rates are:

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

Travel agents and tour operators are taxed at the rate of 0.275 percent.

Federal law requires persons who operate commercial vessels with sleeping accommodations for 50 or more persons who embark passengers at United States ports to have proof of the financial ability to indemnify passengers for failure to provide transportation.

Summary of Substitute Bill: The B&O tax does not apply to amounts received by a person that engages in a travel service business and that holds a passenger vessel surety bond for the indemnification of passengers for failure to provide transportation under a written cost-sharing agreement for allocable reimbursement of administrative services incurred on behalf of a foreign affiliate that engages in a travel service business.

Substitute Bill Compared to Original Bill: The original bill was not considered.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: These are just bookkeeping entries. No money changes hands. The tax is on inter-company transactions.

Testimony Against: None.

Testified: PRO: Joe Daniels, Clarice Edwards, Holland-America Westours.