

SENATE BILL REPORT

SB 5684

As Passed Senate, March 11, 1999

Title: An act relating to simplifying tax reporting by revising the active nonreporting threshold so that it parallels the small business credit.

Brief Description: Simplifying tax reporting by revising the active nonreporting threshold so that it parallels the small business credit.

Sponsors: Senators Thibaudeau, McDonald, Oke and Winsley; by request of Department of Revenue.

Brief History:

Committee Activity: Ways & Means: 2/18/99, 2/24/99 [DP].
Passed Senate, 3/11/99, 39-0.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Loveland, Chair; Bauer, Vice Chair; Brown, Vice Chair; Fairley, Honeyford, Kline, Kohl-Welles, Long, Rasmussen, Roach, B. Sheldon, Snyder, Spanel, Thibaudeau, West, Winsley and Wojahn.

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%

Businesses are authorized a credit against tax equal to \$420 per year. The credit provides a complete exemption up to a certain income and is eliminated at twice the exemption amount. The exemption amount for the various classifications varies based on the tax rate. The lower the tax rate, the more benefit is received by the taxpayer from the credit. The exemption amount for the various classifications is as follows:

Manufacturing/wholesaling/extracting	\$86,777
Retailing	\$89,172
Services	\$28,000

Non-retailing businesses with incomes of \$24,000 per year or less are required to register with the department but do not need to file tax returns. When this provision was originally enacted, the exemption amount for the services classification was \$24,000.

Summary of Bill: The exemption for filing tax returns is increased to \$28,000.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 1999.

Testimony For: This is a paperwork simplification bill. Because of the tax rate decrease, people with no tax still have to file a tax return.

Testimony Against: None.

Testified: Tim Sekerak, DOR (pro).