

# HOUSE BILL REPORT

## HB 2908

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**As Reported by House Committee On:**  
Finance

**Title:** An act relating to tax exemptions for organ procurement organizations.

**Brief Description:** Exempting organ procurement organizations from taxation.

**Sponsors:** Representative Berkey; by request of Department of Revenue.

**Brief History:**

**Committee Activity:**

Finance: 2/11/02 [DPS].

**Brief Summary of Substitute Bill**

- Provides B&O, sales, and use tax exemptions for organ procurement organizations.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Gombosky, Chair; Berkey, Vice Chair; Cairnes, Ranking Minority Member; Conway, Morris, Nixon, Orcutt, Roach, Santos, Van Luven and Veloria.

**Staff:** Bob Longman (786-7139).

**Background:**

As a general rule, nonprofit organizations are subject to state and local taxes unless there is a specific statutory exemption. Exemption from federal income tax does not automatically provide exemption from state and local taxes. Washington does provide tax exemptions for several types of nonprofit organizations, including blood, bone, and tissue banks. These banks are exempt from business and occupation taxes, retail sales and use taxes, and property taxes. However, the Department of Revenue has interpreted these exemptions as not applying to activities associated with the procurement and transport of organs intended for transplant.

The Business and Occupation (B & O) tax is Washington's major business tax. This tax is imposed on the gross receipts of business activities.

Retail sales and use taxes apply to the sale or use of tangible personal property and of certain services acquired at retail. Sales and use taxes apply to the selling price or value of the item. Sales and use taxes are imposed by the state, counties, and cities. Sales and use tax rates vary between 7 and 8.9 percent, depending on location.

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**Summary of Substitute Bill:**

Amounts received by an organ procurement organization are exempt from B&O tax.

Sales and use taxes do not apply to medical supplies, chemicals, and most other materials used by an organ procurement organization. However, construction materials, office equipment, building equipment, administrative supplies, and vehicles are not exempt.

**Substitute Bill Compared to Original Bill:**

Corrects error in citation to federal code section.

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**Appropriation:** None.

**Fiscal Note:** Requested on February 6, 2002.

**Effective Date of Substitute Bill:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** (testimony was on a similar bill, HB 2383) It was discovered during an audit that organ procurement organizations are not covered by the exemptions for nonprofit blood, bone, and tissue banks. Organ procurement organizations should be exempt as they are similar to other exempt organizations. This wonderful work deserves the exemption that they thought they had.

**Testimony Against:** None.

**Testified:** (HB 2383) Julie Sexton, Department of Revenue; and Linda Hull, LifeCenter Northwest.