

HOUSE BILL REPORT

SSB 6787

As Passed House:

March 7, 2002

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

Brief Description: Exempting organ procurement organizations from taxation.

Sponsors: By Senate Committee on Ways & Means (originally sponsored by Senators B. Sheldon, Rasmussen and Oke; by request of Department of Revenue).

Brief History:

Committee Activity:

Finance: 2/26/02, 3/4/02 [DP].

Floor Activity:

Passed House: 3/7/02, 94-0.

Brief Summary of Substitute Bill

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

HOUSE COMMITTEE ON FINANCE

Majority Report: 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 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.

Summary of Bill:

Income of nonprofit organ procurement organizations is exempt from the B&O tax to the extent that it is exempt from federal income tax. The purchase or use of medical supplies, chemicals, or specialized materials for nonprofit organ procurement organizations is exempt from sales and use tax. The sales and use tax exemption does not apply to construction materials, office equipment, building equipment, administrative supplies, or vehicles.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: This bill resulted from an audit and appeal. There is only one organ procurement organization in this state. They assumed the transport and delivery of organs for transport were exempt like blood for surgery and tissue for burn victims. These organizations must be certified by the federal government. They cannot charge more than the cost of their services and therefore cannot pass along the B&O tax.

Testimony Against: None.

Testified: Julie Sexton, Department of Revenue; and Linda Hull, LifeCenter Northwest.