

Finance Committee

HB 1749

Brief Description: Authorizing tax compacts with tribes.

Sponsors: Representatives Morris and Cairnes.

Brief Summary of Bill

- *Allows the Governor to sign tax compacts involving the business and occupation tax, sales and use taxes, and public utility taxes with three tribes.*

Hearing Date: 2/14/01

Staff: Rick Peterson (786-7150).

Background:

The business and occupation tax (B&O) is imposed for the privilege of doing business in Washington. The tax is imposed on the gross receipts of all business activities (except utility activities) conducted within the state. B&O tax is deposited in the general fund.

Although there are several different rates the principal rates are:

manufacturing/wholesaling - 0.484 percent; retailing - 0.471 percent; and services - 1.5 percent.

Public and privately owned utilities, and certain other businesses are subject to the public utility tax instead of the B&O tax. Like the B&O tax, the public utility tax is applied to the gross receipts of the business. The principal difference between the B&O tax and public utility tax is a higher rate schedule applied under the public utility tax.

The sales tax is paid on each retail sale of most articles of tangible personal property and certain services. Taxable services include construction, repair, telephone, lodging of less than 30 days, restaurant meals, physical fitness, and some recreation and amusement services. The use tax is imposed on the use of articles of tangible personal property when the sale or acquisition has not been subject to the sales tax. The use tax commonly applies to purchases made from out-of-state firms.

The state tax rate is 6.5 percent. Local sales and use taxes also apply. The local sales tax is imposed by the jurisdiction in which the sale occurs. The local use tax is imposed by the jurisdiction where the property is first used. The total state and local sales tax rate imposed is between 7 percent and 8.6 percent, depending on the location.

Summary of Bill:

The Governor may sign tax compacts with three tribes. The tax compacts may cover the business and occupation tax, sales and use taxes, and public utility taxes.

Revenue from any tribal tax must be used exclusively for essential government services, such as education, health care, roads, sewers, water supply, law enforcement, and fire protection.

The compacts may provide for the reduction of the B&O, sales and use, or public utility taxes.

The compacts may provide for revenue sharing, sharing of services, and interlocal cooperation agreements.

The Governor is required to report to the Legislature by December 1, 2003 on the fiscal impacts, administrative issues, legal issues, and other matters related to any signed compacts.

Appropriation: *None.*

Fiscal Note: *Requested on February 04, 2001.*

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