

FINAL BILL REPORT

EHB 2260

C 9 L 01 E 1

Synopsis as Enacted

Brief Description: Changing the tax treatment of grocery distribution cooperatives.

Sponsors: By Representatives Cairnes, Morris, Kessler, Linville, McMorris, Doumit, Anderson, Hatfield, Poulsen, Crouse, Voloria, Benson, DeBolt, Reardon, Ericksen, Armstrong, Dunshee, Mastin and Delvin.

Senate Committee on Ways & Means

Background:

The business and occupation (B&O) tax 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 B&O tax rates, the principal rates are: manufacturing and wholesaling - 0.484 percent; retailing - 0.471 percent; and services - 1.5 percent.

The litter tax is imposed on the value or gross proceeds of certain manufactured, wholesaled, or retailed products, including groceries, soft drinks, newspapers, and certain other items. The revenue is used to control litter within the state.

Summary:

Grocery distribution cooperatives are taxed at a rate of 1.5 percent on sales to their customer- owners rather than at the usual 0.484 percent wholesaling tax rate. A deduction is allowed from taxable wholesale sales equal to the cost of merchandise sold to the cooperative's customer-owners.

Grocery distribution cooperatives are exempt from the litter tax.

Grocery distribution cooperatives eligible for this treatment must: (1) sell groceries and related items to customer-owners of the cooperative or to customer-owners of a firm which has at least a 50 percent controlling interest in the grocery distribution cooperative; (2) have been determined by a court not to be selling at wholesale and subsequently changed business form to make sales at wholesale of groceries or related items; and (3) be majority owned by customer-owners.

Votes on Final Passage:

First Special Session

House 92 0

Senate 40 0

Effective: June 11, 2001 (Sections 1, 2, 4, 8)

July 1, 2001 (Sections 3 and 5)

July 22, 2001 (Section 7)

July 1, 2003 (Section 6)