

SENATE BILL REPORT

EHB 2260

As Reported By Senate Committee On:
Ways & Means, May 22, 2001

Title: An act relating to the taxation of grocery distribution cooperatives.

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

Sponsors: By Representatives Cairnes (co-prime sponsor), Morris (co-prime sponsor), Kessler, Linville, McMorris (co-prime sponsor), Doumit, Anderson, Hatfield, Poulsen, Crouse, Veloria, Benson, DeBolt, Reardon, Ericksen, Armstrong, Dunshee, Mastin and Delvin.

Brief History:

Committee Activity: Ways & Means: 5/22/01 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Brown, Chair; Hewitt, Long, Parlette, Rasmussen, Rossi, Sheahan, B. Sheldon, Snyder, Spanel and Zarelli.

Staff: Terry Wilson (786-7433)

Background: The business & occupation (B&O) tax is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities conducted within the state. Proceeds of the tax are deposited into the general fund.

Currently, there are six different tax rates. The three principal rates are:

Manufacturing & wholesaling	0.484%
Retailing	0.471%
Services	1.5%

A state litter tax is imposed on the manufacturing, wholesaling, and retailing of 13 specified categories of products which include food, cigarettes, beverages, and packaging materials. The rate of tax is 0.015 percent. Proceeds of the tax are deposited into the waste reduction, recycling, and litter control account.

Summary of Bill: 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 from taxable wholesales equal to the cost of merchandise sold to the cooperative's customer-owners is allowed.

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 change business form to make sales at wholesale of groceries or related items; and (3) be majority owned by customer-owners.

Appropriation: None.

Fiscal Note: Requested on May 16, 2001. Requested on engrossed bill May 21, 2001.

Effective Date: The bill contains several effective dates. Please refer to the bill.

Testimony For: This allows grocery distribution cooperatives to use asset-based financing without lowering revenues to the state. The current structure makes asset-based financing difficult. This is good for business and good for the state.

Testimony Against: None.

Testified: PRO: Ken Stormans, Associated Grocers; Gary Fujita, Davis Wright.