

SENATE BILL REPORT

SSB 6787

As Passed Senate, February 15, 2002

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

Brief Description: Exempting organ procurement organizations from taxation.

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

Brief History:

Committee Activity: Ways & Means: 2/11/02, 2/12/02 [DPS].

Passed Senate: 2/15/02, 48-0.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6787 be substituted therefor, and the substitute bill do pass.

Signed by Senators Brown, Chair; Regala, Vice Chair; Fairley, Vice Chair; Fraser, Hewitt, Honeyford, Kline, Kohl-Welles, Long, Parlette, Poulsen, Rasmussen, Rossi, B. Sheldon, Snyder, Spanel, Thibaudeau, Winsley and Zarelli.

Staff: Terry Wilson (786-7433)

Background: 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.

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.

Nonprofit blood, bone, and tissue banks are exempt from B&O tax to the extent their gross receipts are exempt from federal income tax. Nonprofit blood, bone, and tissue banks are exempt from sales and use taxes on medical supplies, chemicals, and most other materials used for the bank. However, construction materials, office equipment, building equipment, administrative supplies, and vehicles are not exempt.

Summary of Bill: Income of nonprofit organ procurement organization 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: Requested on February 4, 2002.

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

Testimony For: This bill resulted from an audit and appeal. 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. There are only 59 in the country. They cannot charge more than the cost of their services and therefore cannot pass along the B&O tax.

Testimony Against: None.

Testified: PRO: Julie Sexton, DOR; Linda Hull, Life Center NW.