

FINAL BILL REPORT

EHB 2968

C 241 L 04

Synopsis as Enacted

Brief Description: Providing excise tax deductions for governmental payments to nonprofit organizations for salmon restoration.

Sponsors: By Representatives Linville, Quall and Rockefeller.

House Committee on Finance

Senate Committee on Ways & Means

Background:

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. Businesses must pay B&O tax even though they may not have any profits or may be operating at a loss. Since the B&O tax is not based on profit, nonprofit organizations are not automatically exempt from B&O tax. An exemption from federal income tax does not automatically provide an exemption from state and local taxes. Specific B&O exemptions exist for several types of nonprofit organizations. The eligibility conditions vary for each exemption.

For the B&O tax, a deduction is like an exemption, except in the manner in which it is reported on the taxpayer's return. For an exemption, the taxpayer does not report the exempt income at all. For a deduction, the taxpayer shows the deduction as a reduction from taxable gross income.

Summary:

For the B&O tax, a nonprofit organization is allowed a deduction from taxable gross income for government grants received to support salmon restoration purposes.

Votes on Final Passage:

House	96	0
Senate	49	0

Effective: March 31, 2004