
Finance Committee

HB 2968

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

Sponsors: Representatives Linville, Quall and Rockefeller.

Brief Summary of Bill

- Provides a business and occupation tax deduction for nonprofit organizations that receive government grants to support volunteer recruitment, volunteer training, public outreach, and education for salmon restoration purposes.

Hearing Date: 2/3/04

Staff: Bob Longman (786-7139).

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 profits, nonprofit organizations are not automatically exempt from B&O tax. Exemption from federal income tax does not automatically provide exemption from state and local taxes. Specific B&O exemptions, covering all or most gross income, exist for several types of nonprofit organizations. The eligibility conditions vary for each exemption. The exemptions include: nonprofit agricultural fairs, nonprofit church day care, bazaars and rummage sales, fund-raising auctions, nonprofit student loan agencies, nonprofit consumer debt counseling organizations, nonprofit fraternal organization for premiums for death benefits, the Red Cross, sheltered workshops, youth organizations for membership fees and certain service fees, trade shows, kidney dialysis facilities, health or social welfare organizations, nonprofit artistic and cultural organizations, and public safety standards and testing organizations.

For 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 of Bill:

For B&O tax, a nonprofit organization is allowed a deduction from taxable gross income for government grants received to support volunteer recruitment, volunteer training, public outreach, and education for salmon restoration purposes.

Appropriation: None.

Fiscal Note: Available.

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