
Finance Committee

HB 3116

Brief Description: Modifying tax exemptions for blood banks, bone or tissue banks, and comprehensive cancer centers.

Sponsors: Representatives Murray, Cairnes, Sehlin, Sommers, McIntire, Lovick, Hatfield, Kenney, Morrell and Santos.

Brief Summary of Bill

- Tax exemptions for nonprofit blood, bone, and tissue banks that were invalidated in court are reenacted under a title that expressly includes bone and tissue banks, and comprehensive cancer centers.
- Tax exemptions for nonprofit blood, bone, and tissue banks are extended to include comprehensive cancer centers.

Hearing Date: 2/3/04

Staff: Bob Longman (786-7139).

Background:

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. Washington does provide tax exemptions for several types of nonprofit organizations, including blood, bone, and tissue banks. These banks are exempt from business and occupation taxes, retail sales and use taxes, and property taxes.

In 1995, the Legislature expanded the property tax exemption for blood banks to include leased property and to include bone and tissue banks. In addition, 1) a business and occupation (B&O) tax exemption was provided for income of nonprofit blood, bone, or tissue banks to the extent that it was exempt from federal income tax, and 2) a sales and use tax exemption was provided for nonprofit blood, bone, or tissue banks for the purchase or use of medical supplies, chemicals, or specialized materials. The sales and use tax exemption did not apply to construction materials, office equipment, building equipment, administrative supplies or vehicles.

In 1999, a question arose as to whether the Fred Hutchinson Cancer Research Center qualified as a blood, bone, and tissue bank for purposes of the tax exemptions. Litigation ensued. In 2003, the Thurston County Superior Court ruled that the extension of the exemptions to bone and tissue

banks in 1995 was beyond the title of the bill, that the exemptions only applied to nonprofit blood banks, and that the Fred Hutchinson Cancer Research Center was not a nonprofit blood bank.

Summary of Bill:

Existing B&O tax, sales and use tax, and property tax exemptions for nonprofit blood, bone, and tissue banks are reenacted under a title that expressly includes bone and tissue banks, and comprehensive cancer centers. The exemptions are extended to include comprehensive cancer centers. Qualification requirements are added. The entities must be exempt from federal income tax as nonprofit organizations. Blood banks and bone and tissue banks must be licensed under federal law. A comprehensive cancer center must have written confirmation that it is recognized by the national cancer institute as a comprehensive cancer center. Existing definitions of items eligible for sales and use tax exemptions are rearranged.

Appropriation: None.

Fiscal Note: Requested on January 28, 2004.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.