

# SENATE BILL REPORT

## SB 6282

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As of January 20, 2006

**Title:** An act relating to the excise taxation of nonprofit organizations organized and operated for zoological purposes.

**Brief Description:** Exempting nonprofit organizations organized for zoological purposes from certain excise taxes.

**Sponsors:** Senators Kohl-Welles, Esser and Jacobsen.

**Brief History:**

**Committee Activity:** Ways & Means: 1/24/06.

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### SENATE COMMITTEE ON WAYS & MEANS

**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. There are no deductions for the costs of doing business. The sales tax is paid on each retail sale of most articles of tangible personal property, certain services, and extended warranties. The use tax is imposed on the use of articles of tangible personal property, certain services, and extended warranties when the sale or acquisition has not been subject to the sales tax. The use tax commonly applies to purchases made from out-of-state firms.

Artistic or cultural organizations are nonprofit organizations that are organized and operated exclusively for the purpose of providing artistic or cultural exhibitions, presentations, performances, or education programs. These organizations may deduct income derived from government grants, tuition for educational programs, items manufactured for artistic or cultural purposes by the organization, and business activities (such as admissions fees). In addition, these organizations are also exempt from paying sales and use taxes on objects of art, items with cultural value, objects used to create art, and items used to display art or to present cultural performances.

In July 2005, the state Board of Tax Appeals upheld a ruling by the Department of Revenue that the Woodland Park Zoological Society, the nonprofit organization that manages Woodland Park Zoo, is not an artistic or cultural organization for the purposes of the respective deductions and exemptions under the B&O and sales and use taxes. In its ruling, the board distinguished between organizations whose primary focus is human art or culture and those whose focus is animals.

**Summary of Substitute Bill:** The deductions and exemptions under the B&O and sales and use taxes that are allowed to artistic or cultural nonprofit corporations are extended to nonprofit corporations that are organized for the exclusive purpose of providing zoological

exhibitions, presentations, performances, or education programs at a zoological facility that is publicly owned.

**Substitute Bill Compared to Original Bill:** The original bill was not considered.

**Appropriation:** None.

**Fiscal Note:** Requested on January 13, 2006.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** Woodland Park Zoo is a cultural treasure. The Legislature decided to encourage cultural organizations and the zoo is filled with cultural exhibits. The zoo is engaged in broad cultural, education, scientific, and educational programs.

**Testimony Against:** None.

**Who Testified:** PRO: Senator Jeanne Kohl-Welles, prime sponsor; Martin Flynn, Bruce Bohmke, Woodland Park Zoo.