

# SENATE BILL REPORT

## SB 6621

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As Reported By Senate Committee On:  
International Trade & Economic Development, January 31, 2006

**Title:** An act relating to the business and occupation taxation of payments and contributions to nonprofit convention and tourism promotion corporations by public entities.

**Brief Description:** Allowing tax deductions for nonprofit convention and tourism promotion corporations.

**Sponsors:** Senators Kohl-Welles, Deccio and Shin.

**Brief History:**

**Committee Activity:** International Trade & Economic Development: 1/25/06, 1/31/06  
[DPS-WM, DNP, w/oRec].

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### SENATE COMMITTEE ON INTERNATIONAL TRADE & ECONOMIC DEVELOPMENT

**Majority Report:** That Substitute Senate Bill No. 6621 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Shin, Chair; Sheldon, Vice Chair; Doumit and Eide.

**Minority Report:** Do not pass.

Signed by Senator Pflug, Ranking Minority Member.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Roach.

**Staff:** Jack Brummel (786-7428)

**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. Since the B&O tax is not based on profit, nonprofit organizations are not automatically exempt from the tax. Nonprofits are allowed deductions from gross income for a variety of receipts, including funds received from public entities for artistic or cultural activities or for salmon restoration purposes.

**Summary of Substitute Bill:** B&O taxes are not applied to a nonprofit organization's income received from state and local governments or public corporations for promoting conventions and tourism.

**Substitute Bill Compared to Original Bill:** The original bill allowed a tax deduction for the income rather than an exemption.

**Appropriation:** None.

**Fiscal Note:** Available.

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

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

**Testimony For:** Lodging tax monies are for promotion of tourism, but the law requires that nonprofits receiving it pay B&O tax on it. The money will go farther in promoting tourism if it isn't taxed. The deduction should be an exemption.

**Testimony Against:** None.

**Who Testified:** PRO: Becky Bogard, WA Convention and Visitors Bureau, Seattle Visitor and Convention Bureau; Con Welsh, Seattle Convention and Visitors Bureau.