

# SENATE BILL REPORT

## SHB 1323

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As Reported By Senate Committee On:  
Ways & Means, March 30, 2007

**Title:** An act relating to excise tax relief for certain limited purpose public corporations, commissions, and authorities.

**Brief Description:** Providing excise tax relief for certain limited purpose public corporations, commissions, and authorities.

**Sponsors:** House Committee on Finance (originally sponsored by Representatives McIntire, Pettigrew, Pedersen and Dunn).

**Brief History:** Passed House: 2/21/07, 95-1.

**Committee Activity:** Ways & Means: 3/30/07 [DP].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hewitt, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

**Staff:** Dean Carlson (786-7305)

**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. The tax is imposed on the gross receipts from all business activities conducted within the state. A business may have more than one B&O tax rate, depending on the types of activities conducted. The tax rate for most types of businesses that provide services is 1.5 percent.

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services. Use taxes apply to the value of most tangible personal property and some services when used in this state, if retail sales taxes were not collected when the property or services were acquired by the user.

Public development authorities (PDAs) are authorized to improve the administration of authorized federal grants or programs, to improve governmental efficiency and services, and to improve the general living conditions in the urban areas of the state. The PDA legislation

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was initially enacted to authorize counties, cities, and towns a mechanism to participate in and implement federally-assisted programs, including revenue sharing, without creating potential conflict with respect to constitutional restrictions regarding the lending of credit.

Many local governments have established public corporations for a variety of public purposes, such as the implementation of community and affordable housing programs.

PDA's are provided immunity from property taxation, but in general are subject to leasehold excise taxes on leases of property to private entities. Amounts received by PDA's from non-governmental entities for the provision of services, depending on how the PDA is organized, may be taxable under the B&O tax..

**Summary of Substitute Bill:** An exemption from the B&O tax is provided for amounts received by a PDA for providing services to a limited liability company, if the PDA is the managing member; a limited partnership, if the PDA is the general partner; or a single asset entity required under a governmental housing assistance program, if the entity is controlled by the PDA.

An exemption from sales and use tax for amounts received by a PDA for the provision of services subject to sales and use tax if the amounts received are exempt from B&O tax under this act..

**Appropriation:** None.

**Fiscal Note:** Available.

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

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

**Staff Summary of Public Testimony (on companion SB 5572):** PRO: We improve housing stock in capital hill for low and moderate income people. Public Development Authorities do things that cities and counties can't do. This bill is needed because Federal Housing Administration and the low income housing credit require the borrower to set up an affiliated corporation. This would provide an exemption for us for services provided to our own affiliated corporation. If it is not passed we would have to make up the revenue through higher rents, fundraisers, or look for local government assistance.

**Persons Testifying:** PRO: Senator Murray, prime sponsor; Chuck Weinstock, Capital Hill Housing.