

SENATE BILL REPORT

HB 3275

As Reported By Senate Committee On:
Ways & Means, February 25, 2008

Title: An act relating to the taxation of grocery distribution cooperatives.

Brief Description: Revising the taxation of grocery distribution cooperatives.

Sponsors: Representatives Linville, Ericksen, Morris and McIntire.

Brief History: Passed House: 2/15/08, 94-0.

Committee Activity: Ways & Means: 2/25/08 [DP]

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, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Staff: Dianne Criswell (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. In general, there are no deductions for the costs of doing business. The principal rates are 0.484 percent for manufacturing and wholesaling, 0.471 percent for retailing, and 1.5 percent for services and all other activities.

In 2001 the Legislature allowed a deduction for qualified grocery distribution cooperatives. The cost of goods sold by the cooperative to customer-owners may be deducted from the gross proceeds of sales. A qualified grocery distribution cooperative is eligible for this deduction if: (1) it sells groceries to customer-owners who have at least a 50 percent controlling interest in the cooperative; and (2) it has been determined by a court not to be wholesaling and subsequently changed its form of business to make sales at wholesale. Any commission income is subject to tax under the B&O service classification.

Summary of Bill: A grocery distribution cooperative that has acquired substantially all of the assets of a qualified grocery distribution cooperative qualifies for the deduction.

Appropriation: None.

Fiscal Note: Available.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: None.

Persons Testifying: No one.