

SENATE BILL REPORT

SB 6008

As of February 23, 2007

Title: An act relating to encouraging donations of art by providing a carryforward use tax credit for charitable donations.

Brief Description: Encouraging art donations to charitable artistic or cultural organizations by providing a use tax credit.

Sponsors: Senators Murray, Shin, Kohl-Welles and Keiser.

Brief History:

Committee Activity: Ways & Means: 2/26/07.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dianne Criswell (786-7433)

Background: Sales tax is imposed on the retail sales of most items of tangible personal property and some services. The use tax is imposed on the privilege of using tangible personal property or services in instances where the sales tax does not apply. This includes purchases made from out-of-state sellers, purchases from sellers who are not required to collect Washington sales tax, items produced for use by the producer, gifts, and prizes. The tax is measured by the value of the item at the time of the first use within the state, excluding delivery charges. Use taxes are levied by the state, counties, and cities at the same rate as the sales tax. Combined state and local use tax rates vary from 7 to 8.9 percent, depending on location.

Artistic and cultural organizations are exempt from paying sales or use tax on works of art and objects used in displays. Nonprofits or governmental entities are not required to pay use tax on donated items and certain services.

Summary of Bill: This bill provides a use tax credit for persons that have paid use tax on objects of art or cultural value and subsequently donate these items to tax exempt 501(c)(3) artistic or cultural organizations that present artistic or cultural exhibitions, performances, or programs for the general public. The credit does not expire and can be carried forward.

The credit amount is the appraised value at the time of donation multiplied by the retail sales tax rate in effect. To claim the credit, the taxpayer must provide a copy of the bill of sale, copy of the use tax return showing they paid use tax, and copy of the appraisal required by the Internal Revenue Service for charitable contributions.

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.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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