

SENATE BILL REPORT

SB 6268

As Reported By Senate Committee On:
Government Operations & Elections, February 05, 2008

Title: An act relating to historical parks and historic reserves tax incentive program.

Brief Description: Concerning the creation of a historical parks and historic reserves tax incentive program.

Sponsors: Senators Haugen, Pridemore, Jacobsen and Marr.

Brief History:

Committee Activity: Government Operations & Elections: 2/04/08, 2/05/08 [DP-WM].

SENATE COMMITTEE ON GOVERNMENT OPERATIONS & ELECTIONS

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Fairley, Chair; Oemig, Vice Chair; Roach, Ranking Minority Member; Kline, McDermott and Pridemore.

Staff: Cindy Calderon (786-7784)

Background: Title 26, section 501(c) of United States Code is a tax law provision granting exemption from the federal income tax to non-profit organizations. Exemptions for 501(c) apply to corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing, for public safety, literary, or educational purposes. There are three principal classifications: public charity; private foundation; and private operating.

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. A business may have more than one B&O tax rate, depending on the types of activities conducted. Activities include retailing, wholesaling, and service activity. The B&O tax allows for a credit; the credit is applied to businesses, including qualifying nonprofit organizations. Revenues are deposited in the state General Fund.

Public and privately owned utilities are subject to the state public utility tax (PUT). The PUT is applied to the gross receipts of the business; it does not allow deductions for the costs of doing business, such as payments for raw materials and employee wages. The tax rate depends on the utility classification. The rate for gas distribution is 3.852 percent and the rate for light and power is 3.873 percent. Revenues are deposited in the state General Fund.

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.

Summary of Bill: Authorizes a credit against the B&O tax and PUT for contributions made to benefit qualified Washington historical projects. A qualified Washington historical project is limited to capital projects located on or in a federally designated historic reserve or historic park. Organizations exempt from federal taxes under 26 U.S.C. sec. 501(c) or government entities with a cooperative agreement for development of the designate park or reserve are eligible to receive contributions.

Credits under both the B&O and PUT tax are limited to 75 percent of the contributions. The total statewide credit allowed may not exceed \$3 million a year. An individual park or reserve may not receive contributions that exceed \$1 million per year. The Department of Revenue must receive an application for the tax credit prior to making a contribution. A contribution must be made before a credit may be claimed. Credits not claimed will carry forward to successive income years until fully taken; however, a credit will not carry forward past ten years. Credits will not be earned for contributions made on or after January 1, 2019.

This act expires December 31, 2018.

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: PRO: The national parks and national reserves in Washington have to compete for budget money with other national parks throughout the country, and other iconic parks in the state. These particular parks contain important archaeological and architectural effects and structures. This bill provides an incentive for businesses to contribute during a set time frame while helping to build relationships in the community in hopes businesses will want to provide on-going support. Historical parks and reserves are huge economic engines and incredible investments: they pump money back into the economy, provide jobs, and for every tax dollar invested it returns \$4 to the community.

Persons Testifying: PRO: Senator Haugen, prime sponsor; Elson Strahan, Vancouver National Historic Reserve Trust; Sean Smith, National Parks Conservation Association.