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**Finance Committee**

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**HB 1321**

**Brief Description:** Concerning the tax on cleaning up radioactive waste and other byproducts of weapons production and nuclear research and development.

**Sponsors:** Representatives Kenney, McCoy, Haler, Chandler, Ericks, Ormsby, Hasegawa, Pettigrew, Walsh, Klippert and Armstrong.

**Brief Summary of Bill**

- Reduces the business and occupation tax rate from 1.5% to .471% for identified activities such as information technology and security that support the performance of cleaning up radioactive waste and other byproducts of weapons production and nuclear research and development for the United States.

**Hearing Date:** 1/30/09

**Staff:** Joseph Archuleta (786-7192)

**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.

The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. The use tax applies if retail sales tax has not been collected. Both the state and local governments impose sales and use taxes; the state rate is 6.5 percent and the average local rate is about 2 percent statewide. Sales taxes are collected by the seller from the buyer at the time of sale.

In 1996, the Legislature enacted provisions providing a preferential excise tax (B&O tax rate of 0.471 percent) to persons providing services of cleaning up radioactive waste and other

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byproducts of weapons production at the Hanford Nuclear Reservation. Persons providing such services are deemed consumers and must pay sales and use tax on materials acquired during the construction contract.

The specific services that are affected by the 1996 legislation include:

- handling, storing, treating, immobilizing, stabilizing, or disposing of radioactive waste, radioactive tank waste and capsules, nonradioactive hazardous solid and liquid wastes, or spent nuclear fuel;
- spent nuclear fuel conditioning;
- removal of contamination in soils and ground water;
- decontamination and decommissioning of facilities; and
- activities integral and necessary to the direct performance of cleanup.

In January 2005, DOR revised its rule concerning the tax treatment of sales made to the federal government or from the federal government. The revised rule provided for the first time an interpretation of qualifications necessary for the preferential nuclear cleanup classification. To be "integral and necessary" to the direct performance of cleanup, an activity must (1) directly precede, be concurrent with, or directly follow one of the enumerated activities; and (2) be indispensable to one of the enumerated activities.

**Summary of Bill:**

Reduces B&O tax rate from 1.5% to .471% for information technology, computer support, services rendered in respect to infrastructure, as well as, security, safety, and health service activities supporting the performance of cleaning up radioactive waste and other byproducts of weapons production and nuclear research and development for the United States.

The reduced tax rate is retroactive.

**Appropriation:** None.

**Fiscal Note:** Requested.

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 2009.