

# SENATE BILL REPORT

## HB 1579

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As of April 2, 2009

**Title:** An act relating to a business and occupation tax exemption for nonprofit organizations that provide legal services to low-income individuals.

**Brief Description:** Concerning a business and occupation tax exemption for nonprofit organizations that provide legal services to low-income individuals.

**Sponsors:** Representatives Appleton, Hasegawa and Nelson.

**Brief History:** Passed House: 3/09/09, 62-35.

**Committee Activity:** Ways & Means: 4/02/09.

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### SENATE COMMITTEE ON WAYS & MEANS

**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.

The Legislature has enacted B&O tax preferences for nonprofit organizations, including exemptions or deductions of certain types of income, or exemptions from the B&O tax on all types of income of a qualified nonprofit.

**Summary of Bill:** A B&O tax exemption is created for nonprofit organizations exempt from federal income tax under Title 26 U.S.C. Sec. 501(c) which are primarily engaged in the provision of legal services to low-income individuals.

**Appropriation:** None.

**Fiscal Note:** Available.

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

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

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*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.*

**Staff Summary of Public Testimony:** PRO: The current economic climate increases the workload for civil legal services to low-income persons. There have been funding reductions for such services, which have had fewer resources to meet growing demands. This bill creates an opportunity to allow these nonprofits to increase their level of client services with little impact to state funds. These organizations, which assist low-income clients with domestic issues, domestic violence cases, family law, bankruptcy, and other civil legal matters, generate savings in the court system. Civil legal services, staffed by volunteer attorneys, saves resources in the court system by streamlining legal processes for their cases. Further, the demographic for civil legal services is changing as more people find themselves in financial difficulty. There have been increasing demands for assistance with bankruptcy and foreclosure issues. There are greater needs now for civil legal services than ever and this bill provides a small way for the Legislature to make a big difference.

OTHER: The Senate might consider adding a definition or clarification of "low-income."

**Persons Testifying:** PRO: Representative Appelton, prime sponsor; Sara Lingafelter, Kitsap Legal Services.

OTHER: Drew Shirk, Department of Revenue.