

SENATE BILL REPORT

SB 5391

As of February 11, 2011

Title: An act relating to the excise taxation of zoos.

Brief Description: Concerning the excise taxation of zoos.

Sponsors: Senator Kohl-Welles.

Brief History:

Committee Activity: Ways & Means: 2/10/11.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dianne Criswell (786-7433)

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. Revenues are deposited in the state General Fund. A business may have more than one B&O tax rate, depending on the types of activities conducted. There are a number of different rates. The main rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.8 percent for professional and personal services, and activities not classified elsewhere until June 30, 2013 (at which time the 0.3 percent rate surcharge expires and the B&O rate for service and other category is 1.5 percent thereafter).

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and digital products and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the property, digital products, or services were acquired by the user, then use taxes apply to the value of most tangible personal property and digital products and some services when used in this state. The state sales and use tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 3.0 percent, depending on the location. The average local tax rate is 2 percent, for an average combined state and local tax rate of 8.5 percent.

Artistic or cultural organizations are nonprofit organizations that are organized and operated exclusively for the purpose of providing artistic or cultural exhibitions, presentations, performances, or education programs. These organizations may deduct income derived from

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government grants, tuition for educational programs, items manufactured for artistic or cultural purposes by the organization, and business activities such as admissions fees. In addition, these organizations are also exempt from paying sales and use taxes on objects of art, items with cultural value, objects used to create art, and items used to display art or to present cultural performances.

Summary of Bill: Zoological facilities (facilities accredited by the Association of Zoos and Aquariums or a nonprofit facility operating for the purpose of conserving endangered or threatened species) may deduct from the measure of B&O tax the value of articles manufactured to use in displaying or presenting zoological exhibitions, presentations, performances, or education programs.

Zoological facilities may also deduct from B&O tax such income derived from business activities conducted by the facility; or amounts from federal government, the state, local governments as compensation for, or to support zoological exhibitions, presentations, performances, or education programs provided by a zoological facility.

Zoological facilities are allowed a sales and use tax exemption for objects for displaying or presenting zoological exhibitions, presentations, performances, or education programs.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2013.

Staff Summary of Public Testimony: PRO: The zoos and aquariums in Washington serve an important educational role for our citizens, especially children. Woodland Park Zoo runs training programs for teachers and education programs for students from across the state. This proposal would provide parity with other cultural organizations which receive these tax benefits for the important role they play in our state. The economy is difficult for everyone and we recognize the state's current budget challenges. Woodland has been affected by the economy and has reduced staff and exhibits, along with other efficiencies. We have proposed that the deductions and exemptions take effect in the 2013-15 biennium to manage the impact. These facilities provide affordable entertainment and education opportunities for the whole family.

Persons Testifying: PRO: Senator Kohl-Welles, prime sponsor; Deborah Jensen, Woodland Park Zoo.