

SENATE BILL REPORT

SB 6159

As of January 31, 2012

Title: An act relating to a business and occupation tax deduction for amounts received with respect to dispute resolution services.

Brief Description: Concerning a business and occupation tax deduction for amounts received with respect to dispute resolution services.

Sponsors: Senators Hargrove, Regala, Harper and Padden.

Brief History:

Committee Activity: Ways & Means: 1/25/12.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dianne Criswell (786-7433)

Background: Business and Occupation Tax. 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. 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. Nonprofit organizations pay B&O tax unless specifically exempt by statute.

Dispute Resolution Centers. Dispute Resolution Centers (DRCs) may be established and operated by a municipality, county, or a nonprofit organization under chapter 7.75 RCW to resolve disputes in an informal and less costly setting than judicial forums. DRCs established under these statutes must provide dispute resolution services without charge or based on the participant's ability to pay. A DRC may accept contributions from counties and municipalities, agencies of the state and federal governments, private sources, and any other available funds.

Summary of Bill: A deduction from B&O tax is provided to a DRC organized under chapter 7.75 RCW for amounts received as a contribution from federal, state, or local governments and nonprofit organizations for providing dispute resolution services. A nonprofit

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organization may deduct from the measure of tax amounts received from federal, state, or local governments for distribution to a DRC.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: This act applies prospectively as well as retroactively.

Staff Summary of Public Testimony: PRO: DRCs provide a significant benefit to the state of Washington, saving millions of dollars annually in court costs. We were unaware of the tax liabilities from receiving amounts from the state for providing these services, assuming that the amounts were nontaxable. Paying B&O on amounts received from governments for these services places an undue burden on strapped DRC budgets. Our DRC is staffed by volunteers on a lean budget.

Persons Testifying: PRO: Lonnie Johns-Brown, Resolution WA; Mary Hancock, Dispute Resolution Center of Kitsap County; Bill Bauman, Clark County Dispute Resolution Center.