

SENATE BILL REPORT

SB 5865

As of March 27, 2013

Title: An act relating to exempting from use tax certain purchases from nonprofit organizations or libraries sold as a fund-raising activity.

Brief Description: Exempting from use tax certain purchases from nonprofit organizations or libraries sold as a fund-raising activity.

Sponsors: Senators Roach, Holmquist Newbry, Hill, Dammeier, Conway, Hatfield, Sheldon and Rolfes.

Brief History:

Committee Activity: Ways & Means: 3/27/13.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Juliana Roe (786-7438)

Background: Retail sales taxes are imposed on retail sales of most articles of tangible personal property, 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 user acquired the property, digital products, or services, then use taxes apply to the value of property, digital product, or service when used in this state. The state, most cities, and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.0 percent, depending on the location.

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.

Amounts received from fundraising activities by nonprofit organizations and libraries are exempt from the B&O tax. Similarly, sales made by nonprofit organizations or libraries are exempt from the sales tax. However, those who purchase or receive as a prize an article of personal property from a nonprofit organization or library for a fundraising activity owe use taxes to the state.

Summary of Bill: The bill as referred to committee not considered.

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 (Proposed Substitute): Any article of personal property purchased or received as a prize in a game of chance from a nonprofit organization or library for a fundraising activity is exempt from the use tax.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: Legislation passed a few years ago that exempted from the sales tax personal property sold at fundraisers for nonprofit organizations and libraries. However, it did not exempt these items from the use tax. This bill would exempt people who win items, in a raffle for example, from having to pay use tax to the state.

Persons Testifying: PRO: Senator Roach, prime sponsor; James Williams, Pierce County Sportsman's Council, Tacoma Sportsmen's Club.