

SENATE BILL REPORT

SSB 5563

As Passed Senate, March 11, 2015

Title: An act relating to providing a business and occupation tax exemption for environmental handling charges.

Brief Description: Providing a business and occupation tax exemption for environmental handling charges.

Sponsors: Senate Committee on Energy, Environment & Telecommunications (originally sponsored by Senators Honeyford, Sheldon and Ericksen).

Brief History:

Committee Activity: Energy, Environment & Telecommunications: 2/12/15, 2/18/15 [DPS, DNP].

Passed Senate: 3/11/15, 41-8.

SENATE COMMITTEE ON ENERGY, ENVIRONMENT & TELECOMMUNICATIONS

Majority Report: That Substitute Senate Bill No. 5563 be substituted therefor, and the substitute bill do pass.

Signed by Senators Ericksen, Chair; Sheldon, Vice Chair; Braun, Brown and Honeyford.

Minority Report: Do not pass.

Signed by Senators McCoy, Ranking Minority Member; Cleveland, Habib and Ranker.

Staff: Jan Odano (786-7486)

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.

In 2014 the Legislature passed ESHB 2246, regarding financing for stewardship of mercury-containing lights. This legislation, in part, requires all producers of mercury-containing lights to participate in a stewardship program operated by a stewardship organization. The stewardship organization must pay for all costs related to the stewardship program, and pay \$5,000 per producer to Ecology for their administration and enforcement costs.

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.

The legislation provided that the costs of the program must be covered by an environmental handling charge that is added to the price of mercury-containing lights. Retailers must add the environmental handling charge to the cost of the lights they sell at retail. Retailers may retain a portion of the environmental handling charge to defray their handling charge collection and remittance costs if they have a voluntary agreement with a stewardship organization to directly remit environmental handling charges to the stewardship organization, rather than to light producers. The environmental handling charge is determined by the stewardship organization in consultation with producers, collectors, recyclers, and retailers.

Summary of Substitute Bill: An exemption to the B&O tax is provided to producers, retailers, and stewardship organizations for environmental handling charges that are: added to the purchase price of mercury-containing lights; retained by a retailer as reimbursement for costs associated with collection and remittance of an environmental handling charge; or received by a stewardship organization from a producer or retailer.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: The B&O tax was not anticipated when considering the financing mechanism for mercury-containing lights. The Department of Revenue informed us it is a taxable event. This bill resolves the issue.

Persons Testifying: PRO: Carolyn Logue, WA Food Industry Assn.; Charlie Brown, National Electrical Manufacturers Assn.