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## Finance Committee

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### HB 2026

**Brief Description:** Providing a business and occupation tax credit for live arts performances.

**Sponsors:** Representatives Pettigrew, Stokesbary, Tarleton, Doglio, Wilcox, Macri, Nealey and Johnson.

<p style="text-align: center;"><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Provides a Business and Occupation Tax (B&amp;O) credit of up to 50 percent of B&amp;O taxes due related to live theater productions.</li></ul>
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**Hearing Date:** 2/22/17

**Staff:** Tracey O'Brien (786-7152).

**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. Businesses must pay the B&O tax even though they may not have any profits, or may be operating at a loss. A business may have more than one B&O tax rate, depending on the types of activities conducted. Major tax rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent for services, and activities not classified elsewhere. Several lower rates also apply to specific business activities.

Tax Preference Performance Statement.

Any tax preference legislation enacted, expanded, or extended after August 1, 2013, must include a tax performance statement. This statement must state the legislative purpose of the tax preference, and may fall into one or more of the general categories in statute, including improving industry competitiveness, create and retain jobs, or to induce certain designated

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behavior by taxpayers. In absence of an alternative expiration date, a new tax preference expires automatically in 10 years.

**Summary of Bill:**

A B&O tax credit is available to eligible persons involved with a live theater production. The credit is up to 50 percent of the taxes due, subject to a statewide cap of \$300,000. The credit is available on a first-come basis, and the amount of the credit cannot exceed the amount of B&O tax owed. The purpose of this credit is to attract long-run live performances to Washington, promoting growth in the arts, and establishing economic growth for businesses that indirectly benefit from the increase in long-run live theater performances.

An "eligible person" is defined as a theater producer, owner, licensee, operator, or presenter approved for the credit. A "production" is a live theatre production in Washington that is scheduled to run at least six weeks including pre-production, or four weeks of live theater performances with a minimum of six performances per week. The theater must seat between 800 and 3,500 persons.

A taxpayer claiming this tax credit must file an annual report.

No credit may be claimed after January 1, 2022.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.