

HOUSE BILL REPORT

HB 2550

As Reported by House Committee On: Finance

Title: An act relating to providing tax exemptions for the assistance of disabled veterans and members of the armed forces of the United States of America.

Brief Description: Providing tax exemptions for the assistance of disabled veterans and members of the armed forces of the United States of America.

Sponsors: Representatives Muri, Kilduff, Reeves, Stanford, Shea and Johnson.

Brief History:

Committee Activity:

Finance: 1/23/18, 2/2/18 [DPS].

Brief Summary of Substitute Bill

- Provides a business and occupation tax exemption for amounts received from sales on a military reservation by a nonprofit that operates an adaptive recreational facility that serves disabled veterans and members of the armed forces.
- Provides a retail sales tax exemption for sales on a military reservation by a nonprofit that operates an adaptive recreational facility that serves disabled veterans and members of the armed forces.
- Provides a tax preference performance statement.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Lytton, Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Dolan, Springer, Stokesbary, Wilcox and Wylie.

Minority Report: Do not pass. Signed by 1 member: Representative Pollet.

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.

Minority Report: Without recommendation. Signed by 1 member: Representative Frame, Vice Chair.

Staff: Rachele Harris (786-7137).

Background:

Business and Occupation Tax.

Washington's business and occupation (B&O) tax is imposed on the gross receipts of all in-state business activities, except utility activities, on every person who has a substantial nexus to the state for the act or privilege of doing business.

Sales and Use Tax.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. If retail sales taxes are not collected when the user acquires the property, digital products, or services, then use taxes apply to the value when used in this state. The state, all 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 3.9 percent, depending on the location.

Tax Preferences.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, deferrals, credits, and preferential tax rates. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided. The Joint Legislative Audit and Review Committee (JLARC) is responsible for periodic review of tax preferences.

Adaptive Recreation and Rehabilitation.

Adaptive recreation or rehabilitation is the use of activity modifications or assistive technologies to allow people with disabilities to participate in recreational activities, sports, or physical rehabilitation efforts.

Summary of Substitute Bill:

Sales made on a military reservation by a nonprofit operating an adaptive recreational and rehabilitation facility that is dedicated to the assistance of disabled veterans and members of the armed forces are exempted from the B&O tax.

Sales made on a military reservation by a nonprofit operating an adaptive recreational and rehabilitation facility that is dedicated to the assistance of disabled veterans and members of the armed forces are also exempted from retail sales tax.

The bill contains a tax preference performance statement requiring JLARC to evaluate the utilization of adaptive recreational and rehabilitation facilities by disabled veterans and members of the armed forces.

Substitute Bill Compared to Original Bill:

The substitute bill retains all elements of the underlying bill but removes language that would require JLARC to prove causality when evaluating the tax preference.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) The American Lakes Veterans Golf Course is perhaps the most famous golf course in the state of Washington. The golf course is geared towards disabled veterans. The facility has always been a United States Department of Veterans Affairs (VA) golf course. However, the VA has recently decided to have the golf course run by a nonprofit, and it is unclear whether the nonprofit will have to pay sales tax and B&O tax. This bill clarifies that they do not. The manager says about \$274,000 per year in sales will be exempted under the bill. The VA stopped funding golf courses in 1995, whereupon a group of volunteers took over. The Friends of the American Lake Golf Course have invested over \$5 million in building the clubhouse and making other improvements on the course. The course has been volunteer-run since 1995, so the state has not been receiving any sales tax revenue since then. The property was federal property until 2017.

(Opposed) None.

Persons Testifying: Representative Muri, prime sponsor; Ted Wicorek, Veterans Legislative Coalition; Jerry Fugich, Fleet Reserve Association; and Bruce McKenty, American Lake Veterans Golf Course.

Persons Signed In To Testify But Not Testifying: None.