

SENATE BILL REPORT

SB 5113

As of Second Reading

Title: An act relating to investing in education by modifying the business and occupation tax and providing small business tax relief.

Brief Description: Investing in education by modifying the business and occupation tax and providing small business tax relief.

Sponsors: Senators Braun, Ranker and Hunt; by request of Office of Financial Management.

Brief History:

Committee Activity: Ways & Means: 2/24/17 [w/oRec].

Brief Summary of Bill

- Adds an additional tax rate of 1 percent to the services and other activities of the business and occupation (B&O) tax classification, increasing the total rate to 2.5 percent.
- Increases the filing threshold for businesses paying under the service and other activities classification of the B&O tax to \$100,000 on July 1, 2017, and for all other businesses on July 1, 2018.
- Increases the small business tax credit to \$125 for businesses paying under the service and other activities classification on July 1, 2017, and for all other businesses on July 1, 2018.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That it be referred without recommendation.

Signed by Senators Braun, Chair; Brown, Vice Chair; Rossi, Vice Chair; Honeyford, Vice Chair, Capital Budget ; Bailey, Becker, Fain, Miloscia, Rivers, Schoesler, Warnick and Zeiger.

Staff: Dean Carlson (786-7305)

Background: Business and Occupation 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

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business. Revenues are deposited in the state General Fund. A business may have more than one B&O tax rate, depending on the types of activities conducted. Major B&O tax rates include: 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent for professional and personal services, and activities not classified elsewhere.

Summary of Bill: An additional tax rate of 1 percent is added to the B&O tax classification of services and other activities taking the rate from 1.5 percent to 2.5 percent. The increase excludes hospitals and research and development activities. Increased revenues from the additional tax are deposited into the Education Legacy Trust account.

The tax return filing threshold for businesses reporting at least 50 percent of their B&O taxes under the service and other activities classification is increased from \$46,000 per year to \$100,000 per year. Beginning July 1, 2018, the tax return filing threshold for all other businesses is increased from \$28,000 per year to \$100,000 per year.

The small business tax credit is increased for businesses reporting at least 50 percent of their B&O taxes under the service and other activities classification is increased from \$70 per month to \$125 per month. Beginning July 1, 2018, the small business credit for all other businesses is increased from \$30 per month to \$125 per month.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains an emergency clause and takes July 1, 2017.