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**Finance Committee**

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**HB 1323**

**Brief Description:** Creating a business and occupation tax deduction for certain amounts received by zoological facilities.

**Sponsors:** Representatives Fitzgibbon, Stokesbary, Macri, Barkis and Leavitt.

**Brief Summary of Bill**

- Provides a business and occupation (B&O) tax deduction for the income derived for business activities conducted by an accredited zoological facility.
- Provides a B&O tax deduction for moneys received from public sources to support zoological presentations, performances, or education programs provided by an accredited zoological facility.

**Hearing Date:** 2/7/19

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

**Background:**

Business & 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 taxpayer may have more than one B&O tax rate, depending on the types of activities conducted. Major B&O tax rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent for services and for activities not classified elsewhere. Several preferential rates also apply to specific business activities.

In addition, a taxpayer may be eligible to utilize other tax preferences, including credits and deductions, to reduce their tax liability. For example, a taxpayer engaging in activities subject to

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different B&O tax rates may be eligible for a Multiple Activities Tax Credit. A taxpayer may also be eligible for a small business credit that will either eliminate or reduce their B&O tax liability. In general, the credit is \$70 per month for service businesses and \$35 per month for all other businesses, multiplied by the number of months in the reporting period. The amount of the credit available phases out based on the business's gross receipts.

A business does not have to file an annual B&O tax return if the business does not owe other taxes or fees to the Department of Revenue (DOR) and has annual gross proceeds of sales, gross income, or value of products for all B&O tax classifications of less than \$28,000 per year, or less than \$46,667 if at least 50 percent of its taxable income is from services or activities not classified elsewhere.

#### Tax Preference Performance Statement

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, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

#### Zoos and Aquariums.

The Association of Zoos and Aquariums (AZA) is a 501(c)(3) nonprofit organization and is an independent accrediting organization for zoos and aquariums. Currently, it accredits over 230 institutions worldwide. Zoos and aquariums must meet the AZA's standards in animal care, educational programs, scientific research, and conservation to be accredited.

There are four AZA-accredited zoos or aquariums in Washington. The Woodland Park Zoo, the Seattle Aquarium, the Point Defiance Zoo and Aquarium, and the Northwest Trek Wildlife Park.

#### **Summary of Bill:**

A B&O credit is allowed for income derived by a zoological facility from its business activities. In addition, a B&O tax credit is allowed for the income received from a government entity to support zoological exhibitions, presentations, performances, or education programs provided by the zoological facility.

A "zoological facility" is defined as a nonprofit facility accredited by the Association of Zoos and Aquariums. This act does not include tax preference performance statement and is subject to the automatic 10-year expiration.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on January 1, 2020.