

HOUSE BILL REPORT

SB 6312

As Passed House:
March 10, 2020

Title: An act relating to making the nonprofit and library fund-raising exemption permanent.

Brief Description: Making the nonprofit and library fund-raising exemption permanent.

Sponsors: Senators Zeiger, O'Ban and Rolfes.

Brief History:

Committee Activity:

None.

Floor Activity:

Passed House: 3/10/20, 96-1.

Brief Summary of Bill

- Makes permanent the use tax exemption for receipt of a prize valued under \$12,000 from a nonprofit organization or library for a fundraising activity.
- Requires an annual adjustment by inflation to the value limit on use tax exempt prizes.

Staff: Nick Tucker (786-7383).

Background:

Sales and Use Tax.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities 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.

Business and Occupation Tax.

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.

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.

Nonprofit Fundraising Activities Tax Exemption.

Amounts received from fundraising activities by nonprofit organizations and libraries are exempt from the B&O tax. Similarly, sales made by nonprofit organizations or libraries are exempt from the sales tax. Individuals who purchase or receive as a prize an article of tangible personal property from a nonprofit organization or library for a fundraising activity are exempt from paying use tax on the item, if the property is worth \$12,000 or less.

To qualify for a use tax exemption, a nonprofit or library fundraising event must be:

- exempt from paying B&O tax on the gross income received from the event;
- limited in time rather than an ongoing business endeavor; and
- raising money to further the goals of the nonprofit organization or library.

The use tax exemption is scheduled to expire July 1, 2020.

Summary of Bill:

The use tax exemption for receipt of a prize of an article of tangible personal property from a nonprofit organization or library for a fundraising activity is made permanent.

Beginning December 2020, and each December thereafter, the Department of Revenue must adjust by inflation the \$12,000 value threshold on use tax exempt prizes. Inflation must be calculated using the Consumer Price Index for the Seattle area, as provided by the United States Bureau of Labor Statistics or a successor agency.

The bill is exempt from tax preference performance review and expiration.

Appropriation: None.

Fiscal Note: Available.

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