

FINAL BILL REPORT

ESB 5220

C 143 L 21
Synopsis as Enacted

Brief Description: Concerning the taxation of salmon recovery grants by updating the state business and occupation tax deduction for these grants, creating a sales and use tax exemption for grant proceeds received by recipients of these grants, and clarifying the sales and use tax obligations for goods and services purchased by recipients of these grants.

Sponsors: Senators Van De Wege and Rolfes; by request of Department of Revenue.

Senate Committee on Agriculture, Water, Natural Resources & Parks
Senate Committee on Ways & Means
House Committee on Finance

Background: 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.

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.

Legislation enacted in 2004 provides a deduction from B&O tax for amounts received by a nonprofit organization from the United States, the state of Washington, or local governments as grants to support salmon restoration purposes. In 2018, the Department of Revenue issued an interim guidance statement to address the tax-reporting responsibilities of nonprofit conservation organizations receiving income from government agencies to coordinate or facilitate habitat restoration projects for fish and wildlife. The interim guidance states that generally, nonprofit organizations are subject to B&O tax and retail sales tax unless there is a specific tax exemption or deduction.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Summary: A retail sales tax exemption is provided for a qualifying grant made by federal, state, tribal, and local governments for salmon habitat restoration. The existing B&O tax exemption is expanded to include grants received by a nonprofit organization from tribal governments.

A salmon recovery grant includes financial assistance provided to primarily benefit the public as a whole by renewing, restoring, or protecting salmon ecosystems or habitats by human intervention.

Votes on Final Passage:

Senate	48	1
House	97	0

Effective: April 26, 2021