

SENATE BILL REPORT

SB 5459

As of February 25, 2022

Title: An act relating to creating a business and occupation tax deduction for credit card processing companies.

Brief Description: Creating a business and occupation tax deduction for credit card processing companies.

Sponsors: Senators Mullet and Wilson, L..

Brief History:

Committee Activity: Ways & Means: 2/22/22.

Brief Summary of Bill

- Creates a business and occupation tax deduction for amounts received by a credit card processing company in the form of interchange fees or network fees.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Alia Kennedy (786-7405)

Background: Business and 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 B&O tax even though they may not have any profits or may be operating at a loss. A business may have more than one B&O tax rate, depending on the types of activities conducted. Major tax rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent for services, and activities not classified elsewhere.

Tax Preference Performance Statement. State law provides a range of tax preferences that

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confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Washington has over 700 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 that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after ten years unless an alternative expiration date is provided.

Summary of Bill: A B&O tax deduction is allowed for amounts received by credit card processing companies in the form of interchange fees or network fees.

The tax deduction for credit card processing companies is permanent and not subject to tax preference performance review or automatic expiration.

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 effect on July 1, 2022.