

SENATE BILL REPORT

SHB 1129

As Reported By Senate Committee On:
Ways & Means, April 3, 1995

Title: An act relating to tax exemptions for nonprofit organizations.

Brief Description: Modifying tax exemptions for nonprofit organizations.

Sponsors: House Committee on Finance (originally sponsored by Representatives Schoesler, Brown, Mulliken, Sheahan, Robertson, Buck, Dyer, Delvin, Skinner, Cooke, McMorris, Talcott, Fuhrman, Brumsickle, Sheldon, Campbell, Boldt, Elliot, Koster, Chandler, Van Luven, K. Schmidt, L. Thomas, Casada, Carlson, Backlund, Basich, Huff, Mitchell, Kremen and Benton).

Brief History:

Committee Activity: Ways & Means: 4/3/95 [DPA].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Cantu, Drew, Finkbeiner, Fraser, Gaspard, Hargrove, Hochstatter, Johnson, Long, McDonald, Pelz, Roach, Snyder, Spanel, Strannigan, Sutherland, West, Winsley and Wojahn.

Staff: Terry Wilson (786-7715)

Background: Washington's major business tax is the business and occupation (B&O) tax. This tax is imposed on the gross receipts of business activities conducted within the state. The state retail sales tax is imposed on retail sales of most items of tangible personal property and some services. Sales tax does not apply to sales that are infrequent enough to be considered "casual and isolated" sales. The use tax is imposed on the use of articles of tangible personal property when the sale or acquisition of the property has not been subject to sales tax. Use tax is equal to the sales tax rate multiplied by the value of the property used. The use tax generally applies in respect to property acquired at a casual and isolated sale or acquired from out of state.

Nonprofit organizations pay B&O tax and collect sales taxes on their sales unless specifically exempted by statute. Exemption from federal income tax does not automatically provide exemption from state taxes.

B&O and sales tax exemptions are provided for fund-raising auctions, bazaars and rummage sales, and sales of meals for fund-raising purposes, subject to the following conditions.

Auctions: Not more than one event per year. Not more than two days per event. (No dollar limit on amount raised.)

Bazaars and rummage sales: Not more than two events per year. Not more than two days per event. Not more than \$1,000 per event.

Meals: Not more than two events per week. Not more than \$1,000 per event.

There are no use tax exemptions for any of the items purchased at one of the auctions, bazaars, or rummage sales described above. Although the organization making the sale is not required to collect tax, the buyer is liable for use tax in an amount equal to the sales tax that would have been due. The vast majority of individuals do not report and pay use tax on these transactions.

Summary of Bill: The income limit for the bazaars and rummage sales is increased to \$10,000.

Amended Bill Compared to Substitute Bill: The substitute bill did the following: The restrictions for B&O and sales tax exemptions for fund-raising activities are changed as follows.

Auctions: Not more than two events per year. Not more than five days per event. (No dollar limit.)

Bazaars and rummage sales: Not more than 12 events per year. Not more than five days per event. Exempt on first \$35,000 of gross receipts per year.

Meals: Either (a) not more than two events per week or (b) not more than five days per event and no more than three events a year. Exempt on first \$50,000 of gross receipts per year.

New B&O and sales tax exemptions are created for sales of used books, used videos, used sound recordings, and similar used information products if the proceeds support a public library. These new exemptions apply to the first \$35,000 of gross receipts per year.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 1995.

Testimony For: None.

Testimony Against: None.

Testified: No one.