

SENATE BILL REPORT

SB 5651

As of January 31, 1995

Title: An act relating to decreasing business and occupation tax rates.

Brief Description: Decreasing business and occupation tax rates.

Sponsors: Senators Hale, McDonald, Newhouse, West, Finkbeiner, Wood, McCaslin, Johnson, A. Anderson, Hochstatter, Strannigan, Schow, Deccio, Swecker, Oke, Roach, Morton, Palmer, Winsley, Prince, Cantu and Sellar.

Brief History:

Committee Activity: Ways & Means: 1/31/95.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7715)

Background: The business and occupation tax (B&O) is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities (except utility activities) conducted within the state. There are no deductions for the costs of doing business.

There are 13 different B&O tax rates. The principal rates are:

Manufacturing, wholesaling, & extracting	0.506%
Retailing	0.471%
Services	
- Business Services	2.5%
- Financial Services	1.7%
- Other activities	2.09%

In 1993, the B&O tax rate on selected business services, financial services, and all other services was increased from 1.5 percent. Also in 1993, the B&O tax was extended to public and nonprofit hospitals at the rate of .75 percent through June 30, 1995, and 1.5 percent thereafter.

In addition to these permanent tax increases, in 1993 a surtax of 6.5 percent was imposed on all B&O tax classifications except selected business services, financial services, retailing, and public and nonprofit hospitals. The surtax was lowered to 4.5 percent on January 1, 1995. The surtax expires July 1, 1997.

Summary of Bill: The 4.5 percent B&O surtax is eliminated and the B&O tax rates on business services, financial services, and miscellaneous services are decreased to 1.50 percent, effective July 1, 1995.

Appropriation: None.

Fiscal Note: Requested on January 30, 1995.

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