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# SENATE BILL REPORT

## SB 6750

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As Reported By Senate Committee On:  
Labor, Commerce & Trade, February 1, 1996

**Title:** An act relating to excise taxation of management entities providing services for casino gambling activity in Washington state.

**Brief Description:** Taxing management entities that provide services for casino gambling activity in Washington state.

**Sponsors:** Senators Heavey, Newhouse and Haugen.

**Brief History:**

**Committee Activity:** Labor, Commerce & Trade: 2/1/96 [DPS].

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### SENATE COMMITTEE ON LABOR, COMMERCE & TRADE

**Majority Report:** That Substitute Senate Bill No. 6750 be substituted therefor, and the substitute bill do pass.

Signed by Senators Pelz, Chair; Heavey, Vice Chair; Franklin, Fraser, McDonald, Newhouse and Wojahn.

**Staff:** Traci Ratzliff (786-7452)

**Background:** Under current law, businesses operating in this state are subject to the state B&O tax. This tax is imposed on the gross receipts of business activities conducted within the state. There are several different rates, depending on the nature of the business. Currently, those entities that provide business services can be taxed at several different rates, depending on the services provided. Those who provide "selected business services" such as management or consulting services are taxed at 2.0 percent. Those who provide banking, loan, investment, advisory or other financial services are taxed at 1.60 percent. Those who provide business services not covered in other categories are taxed at 1.83 percent.

**Summary of Substitute Bill:** The B&O statutes are modified to include a new category of business services and a tax rate for these services. The B&O tax rate for businesses that are certified by the state and provide casino management services to gaming facilities with 30 or more gaming tables and wagering limits of \$250 or more is 2 percent.

**Substitute Bill Compared to Original Bill:** The B&O tax rate on casino management companies is reduced from 20 percent to 2 percent.

**Appropriation:** None.

**Fiscal Note:** Requested on January 31, 1996.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** Millions of discretionary dollars that could be taxed are now being spent at tribal casinos. Dollars spent there are not being taxed. The state general fund will soon begin to feel the effect of this lost revenue. This bill gives the Department of Revenue the ability to collect a 2 percent tax on the services provided by out-of-state, non-tribal casino management companies that receive great benefit from tribal casino operations.

**Testimony Against:** I question the state's authority to collect a tax on this activity. This is an attempt to curb tribal gaming in this state by erecting barriers to the business relationships the tribes have or may have with management companies.

**Testified:** Senator Heavey, prime sponsor (pro); Dawn Vyvyan, Yakima Nation, Port Gamble S'Klallam, Jamestown S'Klallam, Swinomish Indian Tribes (con); Randy Scott, Puyallup Indian Tribe (con); Jim Metcalf, Tulalip Tribes (con).