

## ***HB 2260***

***Brief Description:*** *Changing the tax treatment of grocery distribution cooperatives.*

***Sponsors:*** *Representatives Cairnes (co-prime sponsor), Morris (co-prime sponsor), Kessler, Linville, McMorris, Doumit, Anderson, Hatfield, Poulsen, Crouse, Veloria, Benson, DeBolt, Reardon, Ericksen, Armstrong, Dunshee, Mastin and Delvin.*

### ***Brief Summary of Bill***

- *Provides reduced wholesaling business and occupation taxes for grocery distribution cooperatives.*

***Staff:*** *Rick Peterson (786-7150).*

### ***Background:***

*The business and occupation (B&O) tax is imposed for the privilege of doing business in Washington. The tax is imposed on the gross receipts of all business activities (except utility activities) conducted within the state. B&O tax is deposited in the general fund.*

*Although there are several different B&O tax rates, the principal rates are: manufacturing and wholesaling - 0.484 percent; retailing - 0.471 percent; and services - 1.5 percent.*

### ***Summary of Bill:***

*Grocery distribution cooperatives are taxed at a rate of 1.5 percent on sales to their customer-owners rather than at the usual 0.484 percent wholesaling tax rate. A deduction from taxable wholesales equal to the cost of merchandise sold to the cooperative's customer-owners is allowed.*

*Grocery distribution cooperatives eligible for this treatment must: (1) sell groceries and related items to customer-owners of the cooperative or to customer-owners of a firm which has at least a 50 percent controlling interest in the grocery distribution cooperative; (2)*

*make at least \$300 million in annual sales to customer-owners in Washington; and (3) be majority owned by customer-owners.*

***Appropriation:*** *None.*

***Fiscal Note:*** *Requested on May 16, 2001.*

***Effective Date:*** *The bill contains an emergency clause and takes effect on July 1, 2001.*