SENATE BILL REPORT
SB 6137

As of January 20, 2020

Title: An act relating to reauthorizing the business and occupation tax deduction for cooperative finance organizations.

Brief Description: Reauthorizing the business and occupation tax deduction for cooperative finance organizations.

Sponsors: Senators Mullet, Becker, Conway, Warnick, King, Brown, Padden, Schoesler, Short and Zeiger.

Brief History:
Committee Activity: Financial Institutions, Economic Development & Trade: 1/21/20.

Brief Summary of Bill

- Reauthorizes a business and occupation tax deduction for loan repayments received by cooperative finance organizations from rural electric cooperatives or governmental utility providers.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, ECONOMIC DEVELOPMENT & TRADE

Staff: Clint McCarthy (786-7319)

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 the B&O tax even though they may not have any profits or may be operating at a loss.

A taxpayer may have more than one B&O tax rate, depending on the types of activities conducted. Major B&O tax rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent for services and for activities not classified elsewhere. Several preferential rates also apply to specific business activities. In addition, a taxpayer may be eligible to utilize other tax preferences, including credits and deductions, to reduce their tax liability.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Rural Electric Cooperatives. A rural electric cooperative is a nonprofit, customer-owned organization providing utility services to rural areas. The Washington Rural Electric Cooperative Association identifies 15 rural electric cooperatives in Washington. The cooperatives serve over 280,000 customers and offer electric service at cost. The rates and policies are set by locally elected boards of directors.

Nonprofit Cooperative Finance Organizations. A cooperative finance organization is a nonprofit organization with the primary purpose to secure, provide, and arrange financing for rural electric cooperatives.

Business and Occupation Tax Deduction. In 2013, the Legislature granted a B&O tax deduction to nonprofit cooperative finance organizations for the proceeds of loans to rural electric cooperatives or other nonprofit or governmental providers of utility services. The deduction expired on July 1, 2017.

Summary of Bill: The B&O tax deduction for loan repayments received by cooperative finance organizations from rural electric cooperatives or other utility nonprofit or governmental utility providers is reauthorized.

A tax preference performance statement is included, stating the Legislature intends to extend the expiration date of the deduction if at least one nonprofit cooperative financing organization takes advantage of the preference.

The deduction expires on January 1, 2030.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill takes effect on July 1, 2020.