

## BUSINESS TAXES

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### B&O TAX EXEMPTIONS - NONPROFIT ORGANIZATIONS

#### **82.04.324 BLOOD, BONE AND TISSUE BANKS**

Description: B&O tax exemption is provided for nonprofit blood, bone or tissue banks for income that is exempted from federal income tax.

Purpose: To support the activities of these entities.

Category/Year Enacted: Nonprofit - health or social welfare. 1995

Primary Beneficiaries: Approximately three entities are eligible for the exemption.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 945	\$ 973	\$ 1,002	\$ 1,032
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

#### **82.04.326 ORGAN PROCUREMENT**

Description: B&O tax exemption is allowed for nonprofit organ procurement organizations on income which is exempt from federal income tax.

Purpose: To extend the same tax treatment available to blood, bone and tissue banks.

Category/Year Enacted: Nonprofit - health or social welfare. 2002

Primary Beneficiaries: Nonprofit organizations that locate and obtain human organs for transplant operations.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Due to confidentiality requirements, the impact of this exemption cannot be publicly stated because it is believed to affect fewer than three taxpayers.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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### **82.04.327      ADULT FAMILY HOMES**

Description: Homes that provide a protected family-like environment for adult clients with developmental, physical or other disabilities are exempt from B&O tax. To qualify the home must be licensed by DSHS but does not necessarily have to be a nonprofit organization.

Purpose: To reduce the cost of operating these facilities.

Category/Year Enacted: Nonprofit - health or social welfare. 1987

Primary Beneficiaries: Approximately 2,140 homes.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 374	\$ 374	\$ 374	\$ 374
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

### **82.04.338      SERVICES FOR HOP COMMISSION**

Description: Income derived from business activities performed for a hop commodity commission or hop commodity board is exempt from B&O tax, as long as the entity performing the service is a nonprofit organization for federal income tax purposes.

Purpose: To support the activities of such organizations and the commission/board for whom they provide services.

Category/Year Enacted: Agriculture. 1998

Primary Beneficiaries: It is believed that a single nonprofit entity does work for the Hop Commission.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)      Due to confidentiality requirements, the impact of this exemption cannot be publicly stated because it is believed to affect fewer than three taxpayers.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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### 82.04.339 CHURCH DAY CARE

Description: B&O tax does not apply to day care centers operated in churches, if the care is provided for less than 24 consecutive hours.

Purpose: To reduce the cost of operating such facilities.

Category/Year Enacted: Nonprofit - health or social welfare. 1992

Primary Beneficiaries: Approximately 315 day care centers and (presumably) their clients.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 1,415	\$ 1,493	\$ 1,575	\$ 1,662
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

### 82.04.3395 CHILD CARE RESOURCES AND REFERRAL

Description: Nonprofit child care resource and referral services are exempt from B&O tax on income received for services which link families with licensed child care providers. Also exempt is any income received for recruiting, training and supporting child care providers and work with businesses and communities regarding child care issues.

Purpose: To reduce the cost of providing such services.

Category/Year Enacted: Nonprofit - health or social welfare. 1995

Primary Beneficiaries: Approximately 18 child care resource and referral offices, many of which are housed under an umbrella organization such as a community action program.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 14	\$ 14	\$ 15	\$ 15
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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### 82.04.355      RIDE SHARING

Description: B&O tax exemption is provided for non-fee income received by nonprofit social service organizations, van pools and car pools that provide transportation services for commuters and persons with special transportation needs.

Purpose: To reduce motor vehicle fuel consumption and traffic congestion by promoting commuter ride-sharing. Also to support nonprofit organizations that provide group transportation services to persons with special needs.

Category/Year Enacted: Other. 1979

Primary Beneficiaries: Nonprofit social service organizations that provide transportation services.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)      Minimal; it is assumed that most income received for providing transportation services would be subject to public utility tax under the urban transportation classification, not B&O tax.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

### 82.04.363      CAMPS AND CONFERENCE CENTERS

Description: Exemption from B&O tax is allowed for nonprofit organizations for amounts received for providing certain items at a camp or conference center conducted on property that is exempt from property tax. This includes charges for furnishing food and meals, camping and lodging facilities, the use of meeting rooms, parking, books, tapes and other products available to participants of the camp or conference but not to the general public.

Purpose: To reduce the cost of operating such camps and conference centers.

Category/Year Enacted: Nonprofit - charitable or religious. 1997

Primary Beneficiaries: Nonprofit organizations that operate camps or conference centers.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 109	\$ 110	\$ 111	\$ 112
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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### 82.04.3651 NONPROFIT ORGANIZATION FUND-RAISING

Description: B&O tax does not apply to amounts received by a nonprofit organization from fund-raising activities, such as funds generated by soliciting or accepting contributions or selling goods or services at fund-raising events. For purposes of this exemption, fund-raising does not include the operation of a regular place of business such as a bookstore, thrift shop or restaurant.

Purpose: To support the activities of nonprofit organizations.

Category/Year Enacted: Nonprofit - other. 1998

Primary Beneficiaries: Nonprofit organizations which raise funds to support their activities.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 153	\$ 158	\$ 163	\$ 168
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

### 82.04.367 STUDENT LOAN ORGANIZATIONS

Description: B&O tax exemption is provided for the income of nonprofit organizations that issue debt for student loans and for guarantee agencies under the federal guaranteed student loan program.

Purpose: To promote the availability of student loans.

Category/Year Enacted: Nonprofit - other. 1987

Primary Beneficiaries: Only one nonprofit student loan organizations qualifies under this statute.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Due to confidentiality requirements, the impact of this exemption cannot be publicly stated because it is believed to affect fewer than three taxpayers.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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### 82.04.368      CREDIT AND DEBT COUNSELING SERVICES

Description: Nonprofit organizations that provide counseling services for consumers relating to credit and debt issues are exempt from B&O tax.

Purpose: To reduce the cost of providing such services.

Category/Year Enacted: Nonprofit - other. 1993

Primary Beneficiaries: Approximately 24 organizations that provide these services, although most of them also provide other financial services.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000)      Minimal – most of the nonprofit organizations that provide such services do not charge for the counseling. Thus, there is no, or little, income associated with the service.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

### 82.04.370      FRATERNAL INSURANCE

Description: Income derived from insurance premiums by fraternal benefit societies and fraternal fire insurance associations is exempt from B&O tax. Fraternal societies pay death and disability benefits and insure property for their members. These premiums are also exempt from insurance premiums tax.

Purpose: To support the programs and activities of these organizations.

Category/Year Enacted: Other. 1935

Primary Beneficiaries: Approximately 20 societies and their members.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 2,096	\$ 2,106	\$ 2,117	\$ 2,128
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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### 82.04.380 RED CROSS

Description: B&O tax exemption is allowed for the income of corporations that are created by Congress whose principal purpose is to provide volunteer aid to the armed forces and national/international disaster relief. The Red Cross is considered as an instrumentality of the federal government and cannot be directly taxed by the state under existing Supreme Court decisions.

Purpose: To support the social services that this organization provides.

Category/Year Enacted: Nonprofit - health or social welfare. 1935

Primary Beneficiaries: The American Red Cross.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Due to confidentiality requirements, the impact of this exemption cannot be publicly stated, because it is believed to affect fewer than three taxpayers.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

### 82.04.385 SHELTERED WORKSHOPS

Description: B&O tax exemption is provided for nonprofit organizations that operate sheltered workshops and group training homes for the developmentally disabled on income received from the state.

Purpose: To reduce the cost of providing these services.

Category/Year Enacted: Nonprofit - health or social welfare. 1970

Primary Beneficiaries: Approximately 100 workshops/training homes throughout the state.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 930	\$ 954	\$ 979	\$ 1,004
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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### 82.04.399      **ACADEMIC TRANSCRIPTS**

Description: Income received by educational institutions for providing academic transcripts on behalf of their present and former students is exempt from B&O tax.

Purpose: To support public and nonprofit educational institutions.

Category/Year Enacted: Nonprofit - other. 1996

Primary Beneficiaries: Public and private educational institutions.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)*</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 9	\$ 9	\$ 9	\$ 9
Local taxes - not considered.				

\*It is assumed that the state would not pay B&O tax on income from providing transcripts for students at public colleges and universities, since it is not a taxable "person" under RCW 82.04.030. Political subdivisions, however, are potentially subject to business tax and thus public K-12 schools are assumed to be otherwise taxable for purposes of this estimate.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

### 82.04.4251      **PROMOTION OF TOURISM**

Description: Payments received by nonprofit organizations from a government entity, Indian tribe, or other public corporation for purposes of development of tourism are exempt from B&O tax.

Purpose: To encourage tourism.

Category/Year Enacted: Nonprofit - other. 2006

Primary Beneficiaries: Nonprofit tourism promotion firms.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 221	\$ 232	\$ 244	\$ 256
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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### 82.04.4264 ADULT BOARDING HOMES

Description: Nonprofit adult boarding homes licensed under Chapter 18.20 RCW are exempt from B&O tax on receipts for domiciliary care.

Purpose: To reduce the tax liability of such homes.

Category/Year Enacted: Nonprofit - health or social welfare. 2005

Primary Beneficiaries: Approximately 50 nonprofit adult boarding homes.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 1,312	\$ 1,378	\$ 1,446	\$ 1,519
Local taxes - not considered.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

### 82.04.4265 COMPREHENSIVE CANCER CENTERS

Description: Receipts by comprehensive cancer centers are exempt from B&O tax to the extent the amounts are exempt from federal income tax.

Purpose: To encourage cancer research

Category/Year Enacted: Nonprofit - health or social welfare. 2005

Primary Beneficiaries: One entity.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) It is believed that only one entity benefits from this exemption and therefore the impact cannot be disclosed. Further, these receipts are covered by the high technology tax credit and thus there would be no additional impact for this exemption.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? In theory yes, but not as long as the same income is eligible for the high tech credit.