

HOUSE BILL REPORT

SB 5622

As Reported By House Committee On:

Finance

Title: An act relating to tax exemptions for new construction of alternative housing for youth in crisis.

Brief Description: Removing the expiration of tax exemptions for new construction of alternative housing for youth in crisis.

Sponsors: Senators Long, Strannigan and Winsley.

Brief History:

Committee Activity:

Finance: 2/19/98, 2/24/98 [DPA].

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass as amended. Signed by 14 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Dunshee, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Boldt; Butler; Conway; Kastama; Morris; Pennington; Schoesler; Thompson and Van Loven.

Staff: Linda Brooks (786-7153).

Background: The sales tax is imposed on retail sales of most items of tangible personal property and some services. Use tax is imposed on the use of an item in this state, when the acquisition of the item or service has not been subject to sales tax. The combined state and local sales and use tax rate is between 7 percent and 8.6 percent, depending on location.

Washington law does not provide a general exemption from the retail sales and use taxes for nonprofit organizations or government agencies. Most sales and use tax exemptions are for specific items, such as food for home consumption and prescription drugs. Nonprofit organizations generally pay taxes when buying goods and services subject to sales and use taxes. A few sales and use tax exemptions exist for nonprofit organizations, such as the purchase and use of goods by the Red Cross and the purchase and use of art objects by nonprofit artistic and cultural organizations.

The Legislature has exempted sales and use taxes on items necessary for constructing alternative housing for youth in crisis. A youth in crisis is a person under 18 who is a runaway or is homeless, abused, neglected, or abandoned. The definition of a youth in crisis also includes a person under 18 who suffers from a substance abuse or mental disorder. Only new facilities licensed by the Department of Health and Social Services qualify for the tax exemptions.

Due to other legislation enacted in 1997, the expiration date of July 1, 1997, for sales and use tax exemptions for items used in constructing alternative housing for youth in crisis, was extended to July 1, 1999.

Summary of Amended Bill: Sales and use tax exemptions for items used in constructing alternative housing for youth in crisis are made permanent.

Amended Bill Compared to Original Bill: Language is updated in the underlying RCW sections to reflect changes enacted in 1997. An emergency clause is also deleted.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: The sales and use tax exemption for materials purchased to construct new youth in crisis housing is a good investment. The exemption costs about \$100,000 per year, and this amount is much less than what the state spends to house juveniles in detention facilities. Providing safe places for kids to stay helps to keep youths out of trouble.

Testimony Against: None.

Testified: Senator Long, prime sponsor (pro); and Seth Dawson, Common Ground for Children and Homeless Youth Task Force (pro).