

# SENATE BILL REPORT

## SHB 1261

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As Reported By Senate Committee On:  
Ways & Means, April 2, 1997

**Title:** An act relating to the business and occupation tax small business credit.

**Brief Description:** Requiring a ranged table in standard increments for the business and occupation tax small business credit.

**Sponsors:** House Committee on Finance (originally sponsored by Representatives Mulliken, Pennington, Boldt and Wensman; by request of Department of Revenue).

**Brief History:**

**Committee Activity:** Ways & Means: 3/31/97, 4/2/97 [DPA].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Bauer, Brown, Fraser, Hochstatter, Kohl, Long, McDonald, Rossi, Schow, Snyder, Spanel, Swecker, Thibaudeau, Winsley and Zarelli.

**Staff:** Terry Wilson (786-7433)

**Background:** Washington's major business tax is the business and occupation (B&O) tax. This tax is imposed on the gross receipts of business activities conducted within the state.

A small business credit is provided for the B&O tax. Under the credit, if the amount of tax due is less than \$420 per year, then the credit is equal to the amount of tax due. If the amount of tax due is greater than \$420 per year, then the amount of the credit is equal to \$840 minus the amount of tax due. The credit results in a certain amount of income being exempt from tax, but the exemption is phased out on a dollar for dollar basis until no exemption remains at twice the amount of the exemption. The following table shows the exemption amounts and the amount at which the exemption is phased out for most businesses.

<b>Tax Category</b>	<b>Exemption</b>	<b>Phase-out</b>
Manufacturing, wholesaling, & extracting	\$83,004	\$166,008
Retailing	\$89,172	\$178,344
Selected business services	\$21,000	\$42,000
Financial services	\$26,250	\$52,500
Other services	\$22,963	\$45,927

**Summary of Amended Bill:** The Department of Revenue may prepare a tax credit table using standard increments of no more than \$5 for use by taxpayers in taking the small business B&O tax credit. The table will cross reference tax liabilities with tax credits. If the department prepares a table, all taxpayers are required to use the table to determine their credits.

No taxpayer will owe a greater amount of tax as a result of the B&O tax credit table.

**Amended Bill Compared to Substitute Bill:** The substitute bill provided for increments of no more than \$10.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** None.

**Testimony Against:** None.

**Testified:** No one.