
Finance Committee

HB 1932

Brief Description: Providing a business and occupation tax exemption for amounts received by hotel management companies for covered employee costs.

Sponsors: Representatives Upthegrove, Wilcox, Orwall and Nealey.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Provides an exemption from business and occupation tax for a hotel management company for amounts received from a hotel owner for covered employee costs.

Hearing Date: 2/26/13

Staff: Dominique Meyers (786-7150).

Background:

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 B&O tax even though they may not have any profits or may be operating at a loss. A business may have more than one B&O tax rate, depending on the types of activities conducted. Major tax rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.8 percent for services and activities not classified elsewhere. Several lower rates also apply to specific business activities.

Hotel owners often hire hotel management companies to manage and promote their hotel and other facilities. Frequently, the hotel management companies also manage the personnel who perform the necessary services at the hotel; this includes hiring and compensating the employees with revenue provided to the hotel management company from the hotel owner.

Summary of Bill:

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.

Hotel management companies are exempt from B&O tax on amounts received from a hotel owner for covered employee costs when the covered employee has an employment relationship with a hotel management company. A person qualifies as a covered employee if they are providing services to a hotel owner, work primarily at a hotel or facility of the hotel owner, and his or her duties primarily consist of activities that directly or indirectly support the hotel operations or management. Employee costs are primarily salaries, wages and benefits for the covered employees.

Appropriation: None.

Fiscal Note: Requested on February 22, 2013.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.