

SENATE BILL REPORT

SB 5560

As Reported By Senate Committee On:
Ways & Means, February 7, 2007

Title: An act relating to making changes of a technical nature to laws relating to taxes or tax programs, administered by the department of revenue.

Brief Description: Making changes of a technical nature to tax laws.

Sponsors: Senators Schoesler, Zarelli, Regala and Prentice; by request of Department of Revenue.

Brief History:

Committee Activity: Ways & Means: 2/06/07, 2/7/07 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5560 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Fairley, Hatfield, Hewitt, Hobbs, Honeyford, Keiser, Kohl-Welles, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Staff: Dianne Criswell (786-7433)

Background: When legislation is enacted, it frequently contains references to other statutes. These references may become erroneous due to changes made to the referenced statutes by other legislation enacted during the same legislative session. In addition, statutes sometimes include provisions that are limited in time. These provisions become obsolete with the passage of time.

From time to time, administrative agencies suggest statutory revisions for the purpose of increasing clarity or improving administration.

Summary of Bill: Technical corrections are made to various provisions related to property and excise taxes. These changes include: (1) correcting drafting errors, structural problems such as RCW strings that are not in numeric order, inaccurate references to terms that have been changed, and inaccurate cross-references; (2) adding or modifying language to clarify statutory provisions; (3) reenacting sections of code to merge multiple amendments; and (4) repealing several obsolete provisions of code.

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.

The technical corrections to clarify statutory provisions include the following: A contingency clause in chapter 67, Laws of 2002, making the act null and void if the federal mobile telecommunications sourcing act is invalidated by a court, is repealed to eliminate the multiplicity of sections it has generated. The likelihood of court action is extremely remote.

RCW 76.09.405 is amended to correct an erroneous statutory citation to clarify that the surcharge imposed under RCW 82.04.261 is to be deposited into the forest and fish support account.

Beginning in 2012, the preferential business and occupation (B&O) tax rate provided in RCW 82.04.260 applies to sellers of manufactured seafood products that remain in a raw, raw frozen, or raw salted state at the completion of the manufacturing, to purchasers who transport the goods out of this state in the ordinary course of business.

RCW 82.04.261 is amended to clarify the calculation of the surcharge on certain timber-related activities is equal to 0.052 percent. The applicable tax rate equals the base rate added to 0.052 percent.

RCW 82.04.294 is amended to clarify that the preferential 0.2904 percent B&O rate for persons engaging in the business of manufacturing solar energy systems using photovoltaic modules, or silicon components of such systems also applies to the manufacturing of solar grade silicon to be used exclusively in components of such systems.

RCW 82.04.440, which is the multiple activities tax credit statute, is amended to clarify that businesses engaging in activities that are subject to B&O tax under two or more provisions of chapter 82.04 RCW are taxable under each provision applicable to those activities.

RCW 82.04.4462 provides a B&O tax credit for investment related to design and preproduction development computer software and hardware used in the design and development of commercial airplanes. This credit is subject to a lifetime cap of \$20 million. Because no person can take advantage of this provision, this section accelerates the expiration date of the credit from July 1, 2024, to 90 days after the end of the 2007 Legislative Session.

The word "retail" is stricken from RCW 82.04.530, a statute that is intended to determine the taxable situs of both retail and wholesale sales of telecommunications services for B&O tax purposes.

RCW 82.08.841 and 82.12.841, which provide sales and use tax exemptions for specified machinery and equipment that reduce the need for field burning of cereal grains and field and turf grass grown for seed, are amended. The exemptions only apply to qualified farmers in qualified counties, and expire January 1, 2011. The exemptions are clarified to specify the source of data used in, and timing of, the determination of whether a county is a "qualified county."

RCW 82.14B.020 is amended with a citation to the definition of "place of primary use" contained in state law. That definition is the same as the definition provided in the federal mobile telecommunications sourcing act.

RCW 82.32.600 was amended five times by separate bills in the 2006 Legislative Session, each without reference to the others. The Code Reviser was not able to merge all of the amendments. As a result, there are five codified versions of the statute. Four of the versions

are currently effective, while one version has a contingent effective date. The bill will reconcile all of the amendments made in 2006 so that only two versions of the codified statute are required.

EFFECT OF CHANGES MADE BY RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Ways & Means): Deletes sections 15 and 17, which were amendments of sales and use tax exemptions for specified machinery and equipment relating to field burning of cereal grains and field and turf grass grown for seed.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed, except section 5 which takes effect July 1, 2011.

Staff Summary of Public Testimony: PRO: This bill updates the excise and property tax code. Correcting errors will simplify and clarify tax laws. These corrections help avoid confusion by taxpayers and Department of Revenue staff. Since 2001, the Department has not had a technical corrections bill pass. Therefore, the Department of Revenue is committed to presenting a technical corrections bill that does not contain any substantive changes in the law.

Persons Testifying: PRO: Senator Schoesler, prime sponsor; Gil Brewer, Department of Revenue.