

FINAL BILL REPORT

ESHB 1165

C 318 L 95

Synopsis as Enacted

Brief Description: Making technical corrections to excise and property tax statutes.

Sponsors: House Committee on Finance (originally sponsored by Representatives Sherstad, Dickerson, Van Luven, L. Thomas and Mason; by request of Department of Revenue).

House Committee on Finance
Senate Committee on Ways & Means

Background: In 1994, the Legislature authorized the formation of a new type of business in Washington, the limited liability company. The limited liability company is a noncorporate entity that allows the owners to participate actively in management while providing them with limited liability.

The business and occupation tax is Washington's general business tax. The tax applies to persons and companies engaging in business activities. The various types of business organizations to which the tax applies are defined by law and include, in part, individuals, joint ventures, copartnership, and corporations.

Sellers of items subject to retail sales tax are required by statute to collect the retail sales tax from the buyers and remit the tax to the state. The tax collected from the buyer is held in trust by the seller until paid over to the state. When a corporation stops doing business, the person with responsibility for the sales tax funds may be held personally responsible for any unpaid sales tax.

Purchasers of motor fuel may receive a refund of motor fuel taxes if the motor fuel is exported from Washington. The person claiming the refund must sign the export certificate. In the case of a corporation requesting a refund, the export certificate must be signed by the proper corporate officer.

An annual excise tax is imposed for the privilege of using an aircraft in Washington. For purposes of this tax, a person is defined to include a firm, partnership, or corporation.

Personal property owned by businesses is subject to property tax. Each year business entities are required to report the amount of personal property they own to the county assessor.

A provision of the Youth Violence Act requires the Department of Revenue to provide the Department of Licensing a list of licensed gun dealers with gross receipts of less than the tax reporting threshold (\$12,000 on an annual basis) for the business and occupation tax. Different legislation repealed the statute containing the \$12,000 tax reporting threshold and replaced it with a new section containing a small business tax credit.

The local sales and use tax is collected by the state together with the state sales tax. One provision of current law instructs the Department of Revenue to deposit the local sales and use tax into the local sales and use tax account. Another provision of current law directs the Department of Revenue to turn over all receipts to the state treasurer. The statutes appear to be in conflict. By administrative practice, the department first distributes the local sales and use tax to the local sales and use tax account and then transmits the remainder to the state treasurer.

County governments may impose a property tax for acquisition of conservation futures. The tax is limited to six and one-quarter cents per thousand dollars of assessed value. A county, city, emergency medical service district, public hospital district or fire protection district may impose a property tax to provide emergency medical services. The tax is limited to fifty cents per thousand dollars of assessed value and must be voter approved. A county, city, or town may impose a property tax to finance affordable housing for very low-income households. The tax is limited to fifty cents per thousand dollars of assessed value and must be voter approved. These taxes are authorized in addition to the regular taxes authorized for these districts. Also, these taxes are not subject to the \$5.90 aggregate tax rate limit for local regular property taxes.

Summary of Bill: Limited liability companies are added to the list of organizations defined as persons or companies in the business and occupation tax law.

Managers of limited liability companies may be held personally responsible for any unpaid sales tax when the limited liability company stops doing business.

The proper manager or member of a limited liability company must sign the export certificate when requesting a refund of motor fuel taxes.

Limited liability companies are added to the list of persons subject to the aircraft excise tax.

Limited liability companies are added to the list of businesses required to report the amount of personal property they own to the county assessor.

The reference in the Youth Violence Act to the now repealed business and occupation tax reporting threshold is deleted.

The Department of Revenue must now provide a list of all registered gun dealers to the Department of Licensing, rather than only those under the tax reporting threshold.

It is clarified that property taxes for conservation futures, affordable housing, and emergency medical services are in addition to the individual local district property tax rate limits and are not subject to the \$5.90 aggregate rate limit for local regular property taxes.

Votes on Final Passage:

House	97	0	
Senate	44	1	(Senate amended)
House	91	0	(House concurred)

Effective: May 11, 1995