

# HOUSE BILL REPORT

## HB 1813

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### As Reported By House Committee On:

Trade & Economic Development

**Title:** An act relating to sales and use tax exemptions for motion picture and video production equipment and production services.

**Brief Description:** Regulating sales and use tax exemptions for motion picture and video production equipment and services.

**Sponsors:** Representatives Dunn, Van Luven, Veloria, Alexander, Sheldon, Morris, Mason, McDonald, Honeyford and L. Thomas.

### Brief History:

#### Committee Activity:

Trade & Economic Development: 2/17/97, 2/26/97 [DPS].

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## HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Van Luven, Chairman; Dunn, Vice Chairman; Veloria, Ranking Minority Member; Sheldon, Assistant Ranking Minority Member; Alexander; Ballasiotes; Mason; McDonald and Morris.

**Staff:** Kenny Pittman (786-7392).

**Background:** The state of Washington's tax structure includes a retail sales and use tax. A retail sales tax is imposed on the sale of most items of tangible personal property and some services purchased at retail. The state also imposes a use tax on items used in the state, where the acquisition was not subject to the retail sales tax. They include purchases made in other states, purchases where the seller does not collect sales tax, and items produced for use by the producer.

The state's retail sales and use tax is based on 6.5 percent of the selling price. Local governments may also impose an additional sales and use tax up to 1.7 percent of the selling price. The combined state and local retail sales and use tax rate currently ranges from 7 percent to 8.2 percent.

In 1995, the Legislature exempted the rental of production equipment or the sales of production services to a motion picture or video production business from state and

local sales and use taxes. This exemption included, but was not limited to cameras, lighting equipment, helicopters rented for movie or video production, vans, and trucks specifically equipped for movie and video production.

**Summary of Substitute Bill:** The sales and use tax exemption on production equipment rented to motion picture or video production businesses is expanded to include other vehicles used solely for production activities.

**Substitute Bill Compared to Original Bill:** The substitute bill removed the language regarding the use tax exemption certificate for individual purchases or an annual summary listing of exempt uses of equipment, removed the need for an annual summary listing of exempt rental of equipment, and added an emergency clause.

**Appropriation:** None.

**Fiscal Note:** Requested on February 11, 1997.

**Effective Date of Substitute Bill:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** The state's film and video industry needs help to attract the production of movies to the state. The state is in direct competition with other states and British Columbia, Canada, that provide incentives to attract movie and video production to their area. The existing state incentives have been very helpful to attract movie production to the state. This would provide an additional incentive to help with our efforts. The bill as written would impose a paperwork burden on those movie and video production companies that must keep an annual summary of purchases. The Department of Revenue will catch uses that are not eligible when we audit the business.

**Testimony Against:** None.

**Testified:** Representative Dunn, prime sponsor (pro); Suzy Kellett, Washington State Film Office (pro); Becky Bogard, Washington State Motion Picture Council (pro); Joel Youngerman, Studio Mechanics of Pacific Northwest (pro); Ronald Leamon (pro); Earl Lewis (pro); and Sue Graham, Department of Revenue (technical concerns).