

HOUSE BILL REPORT

HB 2683

As Reported By House Committee On:

Trade & Economic Development

Title: An act relating to exempting the sale and use of motion picture or video production equipment and supplies from sales and use tax.

Brief Description: Exempting from sales and use tax motion picture or video production equipment and supplies.

Sponsors: Representatives Van Luven, Mason and Ballasiotes.

Brief History:

Committee Activity:

Trade & Economic Development: 1/26/98, 1/29/98 [DPS].

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; Voloria, Ranking Minority Member; Eickmeyer, Assistant Ranking Minority Member; Alexander; Ballasiotes; Mason; McDonald and Morris.

Staff: Kenny Pittman (786-7392).

Background: 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. This includes 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 tax is based on 6.5 percent of the selling price. Local governments may, depending on the location, also impose an additional sales and use tax up to 2.1 percent of the selling price. The combined state and local retail sales and use tax rate currently ranges from 7 percent to 8.6 percent.

In 1995, the Legislature exempted the rental of production equipment or the sale of production services to a motion picture or video production business from state and local retail sales and use taxes. This exemption included, but was not limited to cameras,

lighting equipment, helicopters rented for movie or video production, and vans and trucks specifically equipped for movie and video production. In 1997, this exemption was expanded to include other vehicles used solely for production activities.

Summary of Substitute Bill: The retail sales and use tax exemption for production equipment used for motion picture or video production is expanded to include all items necessary and essential to the production or postproduction of motion pictures or videos. The type of additional equipment eligible for the exemption include other communication equipment and teleprompters.

The sales and use tax exemption is available for production supplies that include but is not limited to film, tape, disks, and other such supplies, communication supplies, and all items used for wardrobe, hair, makeup design, and stage and set construction and decoration.

Substitute Bill Compared to Original Bill: The substitute bill creates a separate definition of production supplies. The Department of Revenue's requirement for retention of records by persons claiming the exemption are outlined.

Appropriation: None.

Fiscal Note: Requested on January 17, 1998.

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

Testimony For: The state's film and video industry is facing strong competition from Vancouver, B.C. and the state of Oregon. There are other states that are trying to attract film and video production to their state through various incentives. The expanded exemption will provide an additional incentive to help attract film and video production to the state by lowering production costs.

Testimony Against: None.

Testified: Earl Lewis (pro); Heather Murphy (pro); Becky Bogard, Washington Motion Picture Council (pro); Terry Terry, Terry Terry Extras Casting (pro); Ron Leaman (pro); Ron Otis (pro); Bob Lancaster, Alpha Five Labs (pro); Joel Youngerman, Local 488 Motion Picture Technicians (pro); and Joan Kachorn, Screen Actors Guild (pro).