

SENATE BILL REPORT

SB 5516

As of February 21, 1997

Title: An act relating to exempting goodwill of businesses from property taxation.

Brief Description: Exempting goodwill of businesses from property taxation.

Sponsors: Senators Horn, West and Schow.

Brief History:

Committee Activity: Ways & Means: 2/20/97.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7433)

Background: All property in this state is subject to the property tax each year based on the property's value unless a specific exemption is provided by law. The state Constitution defines "property" for tax purposes as "everything, whether tangible or intangible, subject to ownership."

A major exemption from the property tax exists for some intangible property. Intangible property is property that has no physical substance and is not susceptible to being perceived by the senses. Exempt intangibles include: money, mortgages, notes, accounts, certificates of deposit, tax certificates, judgments, government bonds and warrants, stocks and shares of private corporations, private nongovernmental personal service contracts, and private nongovernmental athletic or sports franchises. Other types of intangible property are taxable, such as trademarks, trade names, brand names, patents, copyrights, trade secrets, franchise agreements, licenses, permits, non-compete agreements, customer lists, and business goodwill.

For property assessed by the Department of Revenue, standard appraisal practices tend to capture intangible value. For locally assessed property, intangible value, when it exists, may be included in the real property value when the income approach or the comparable sales approach is used. Intangible value will also be included when businesses expressly report intangible personal property on their personal property affidavits.

Summary of Bill: Goodwill of a business is added to the list of intangible property that is exempt from property taxation, effective for taxes levied for collection in 1998 and thereafter.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: None.

Testimony Against: None.

Testified: No one.