FINAL BILL REPORT

SB 5804

C 175 L 97
Synopsis as Enacted

Brief Description: Eliminating the requirement for a study of the property tax exemption and valuation rules for computer software.

Sponsors: Senators Finkbeiner and West; by request of Department of Revenue.

Senate Committee on Ways & Means
House Committee on Finance

Background: All property, both real and personal, is subject to property taxation unless specifically exempt. Personal property includes both tangible and intangible property.

Custom computer software, master or golden copies of software, retained rights in software, and modifications to canned software are exempt from property tax. Embedded software is taxed as part of the computer system or machinery or equipment containing the embedded software. Taxable computer software, except embedded software, is taxed in the first year at 100 percent of acquisition cost, in the second year at 50 percent, and thereafter at zero.

The legislation exempting computer software in 1991 also required the Department of Revenue to form an advisory committee to assist it in studying the computer software exemptions and valuation rules to determine whether they are necessary and appropriate to achieve fairness, equity, and uniformity in the property tax treatment of computer software. The department is to report its findings to the Legislature by November 30, 1998.

Summary: The requirement to study the computer software exemptions and valuation rules is repealed.

Votes on Final Passage:

Senate	48	0
House	98	0

Effective: July 27, 1997