

SENATE BILL REPORT

SB 6449

As Passed Senate, February 13, 1998

Title: An act relating to the business and occupation taxation of income in the nature of royalties for the use of intangible rights.

Brief Description: Specifying a business and occupation tax rate for income in the nature of royalties for the use of intangible rights.

Sponsors: Senators West, Anderson, Kohl, T. Sheldon, Jacobsen, Goings and Winsley; by request of Governor Locke.

Brief History:

Committee Activity: Ways & Means: 1/28/98, 1/29/98 [DP].
Passed Senate, 2/13/98, 48-0.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Bauer, Fraser, Kohl, Long, Loveland, McDonald, Roach, Rossi, Schow, B. Sheldon, Spanel, Swecker, Thibaudeau, Winsley and Zarelli.

Staff: David Schumacher (786-7474)

Background: The business and occupation tax (B&O) is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities (except utility activities) conducted within the state.

Although there are several different rates, beginning July 1, 1998, the principal rates will be as follows:

Manufacturing/wholesaling	0.484%
Retailing	0.471%
Services	1.5%

The B&O tax is imposed on the gross receipts of business activities conducted within the state without deductions for the costs of doing business.

Income received from royalties for the granting of such rights as copyrights, licenses, patents or franchise fees are currently taxed at the 1.5 percent services rate.

Summary of Bill: A new tax classification is created for businesses receiving income from royalties. Income received from royalties is taxed at 0.484 percent.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 1998.

Testimony For: This bill is a request of Governor Locke and comes in part from the department's software study. The passage of this bill will bring Washington in line with other states and be a further help in the economic development in the state.

Testimony Against: None.

Testified: PRO: Claire Hesselholt, Department of Revenue; Charles Osenbauch, Washington Software Association.