

FINAL BILL REPORT

HB 2519

PARTIAL VETO

C 106 L 00

Synopsis as Enacted

Brief Description: Simplifying the excise tax code.

Sponsors: Representatives Lovick, Fortunato, Dunshee, Thomas, Haigh and Kenney; by request of Department of Revenue.

House Committee on Finance
Senate Committee on Ways & Means

Background:

Tax information disclosure. When real estate transactions occur, a title company searches records to determine whether there are any liens, judgments, or warrants for unpaid taxes filed against a property. A title company obtains this information from court documents and other legal records, because the Department of Revenue (DOR) is generally prohibited from disclosing information about taxpayers. Although the DOR may disclose the name of a taxpayer against whom a tax warrant for more than \$5,000 has been filed, the DOR may not disclose the actual amount of tax owed.

State 911 Taxes. The state imposes a 20 cent per month tax on each telephone switched access line to help fund enhanced 911 emergency services. Telephone companies collect these taxes for the state. The telephone companies must remit the tax revenues to the DOR by the last day of the following month.

Watercraft Excise Taxes. Owners of recreational boats pay a watercraft excise tax in lieu of property taxes. This tax is collected by the Department of Licensing. In 1999 the Legislature increased penalties on persons who avoid paying Washington taxes by registering their vehicles, aircraft, or watercraft in another state or nation. Although the Department of Licensing collects current taxes, the Department of Licensing does not collect back taxes. Prior to the 1999 legislation, the DOR was authorized to collect unpaid back taxes, penalties, and interest.

Distressed Areas Tax Incentives. Washington has developed various tax incentives designed to assist in job creation or retention in rural counties. A business that constructs a manufacturing or research and development facility in a rural county may defer sales and use taxes on materials and labor used in the construction. A business may also qualify for similar tax deferrals for facilities constructed in a community empowerment zone (CEZ) or a county containing a CEZ if the business hires

residents of a CEZ to work at the new facility. A pro-rata share of the deferred taxes must be repaid if eligibility criteria are not met during an 8-year period following completion of a facility. After eight years, the deferred taxes are waived.

A manufacturing or research and development business that constructs a facility in a rural county, a CEZ, or a county containing a CEZ, may also qualify for business and occupation (B&O) tax credits. The amount of the credit depends on the amount of money invested in constructing a new facility, the number of jobs created, and the wages paid to new employees. For the purpose of administering these B&O tax credits, the Employment Security Department must certify wage and employment data to the DOR.

High Technology Tax Incentives. High technology tax incentives were enacted in 1994 to encourage the location, expansion, and development of "high-tech" research and development and pilot scale manufacturing businesses statewide. High-tech businesses that invest a certain amount of their gross receipts in research and development qualify for B&O tax credits. The high-tech businesses also may defer sales and use taxes associated with the acquisition of new machinery and equipment or the construction of new or expanded structures. A pro-rata share of the deferred taxes must be repaid if a portion of a facility is used for purposes other than qualified research and development or pilot scale manufacturing during the 8-year period following completion of a facility. After eight years, the deferred taxes are waived.

Tax Credits for Rural Help Desk/Software Businesses. In 1999 the Legislature created B&O tax credits for businesses located in rural counties that provide information technology "help desk" services. The Legislature also established B&O tax credits for each software manufacturing or computer programming job created in a rural county.

Businesses claiming either "help desk" or software/programming B&O tax credits are required to file an annual report with the DOR.

Summary of Bill:

Tax Information Disclosure. The DOR may disclose current amounts due the department for filed tax warrants, judgments, or liens against a property to financial institutions, escrow companies, or title companies, if the property is the subject of a real estate transaction.

State 911 Taxes. The deadlines for remitting state 911 taxes to the DOR are made the same as the deadlines for remitting sales taxes, B&O taxes, and other excise taxes. (For example, if a taxpayer files a quarterly tax return, then the taxpayer would remit state 911 taxes quarterly.)

Watercraft Excise Taxes. The DOR is allowed to assess and collect unpaid watercraft excise taxes, penalties, and interest.

Distressed Areas Tax Incentives. A change in ownership of a manufacturing or research and development facility does not affect the deferral of sales and use taxes, if the new owner continues to meet eligibility requirements for the tax deferrals or credits. With respect to the B&O tax credits, the Employment Security Department certifies wage and employment data for a facility only if a request is made by the DOR.

High Technology Tax Incentives. A business's insolvency or other failure does not extinguish the business's debt for any deferred taxes. Also, a change in ownership does not affect the deferral of sales and use taxes, if the new owner continues to meet eligibility requirements for the tax deferrals or credits.

Tax Credits for Rural Help Desk/Software Businesses. A "help desk" or software/programming business that fails to file an annual report with the DOR does not lose its eligibility for the B&O tax credits. However, the DOR will contact each business that fails to file a report to assist the business in filing a report so that data and information necessary to measure the tax credit program's effectiveness is maintained.

Votes on Final Passage:

House 97 0

Senate 45 0

Effective: July 1, 2000

Partial Veto Summary: Vetoes the section allowing the Department of Revenue to assess and collect unpaid watercraft excise taxes, penalties, and interest, since this section was duplicated by a similar provision in SB 6467 enacted as C 229 L 00.