

SENATE BILL REPORT

SB 6059

As of March 6, 2001

Title: An act relating to restructuring the litter tax and a portion of the hazardous substance tax to simplify the taxes while maintaining funding.

Brief Description: Restructuring the litter tax and a portion of the hazardous substance tax.

Sponsors: Senators Fraser, Constantine, Winsley and Kohl-Welles; by request of Department of Revenue.

Brief History:

Committee Activity: Ways & Means: 3/5/01.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7433)

Background: The business and occupation (B&O) tax is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities within the state. There are no deductions for the costs of doing business. Currently, there are six different B&O tax rates. The three principal rates are:

- Manufacturing, wholesaling, and extracting 0.484 percent
- Retailing 0.471 percent
- Services 1.5 percent

A state litter tax is imposed on the manufacturing, wholesaling, and retailing of 13 specified categories of products which include food, cigarettes, beverages, and packaging materials. The rate of tax is 0.015 percent. Proceeds of the tax are deposited into the waste reduction, recycling, and litter control account.

A state tax is imposed on the first possession of a hazardous substance in this state. The rate of tax is 0.7 percent of the wholesale value. Proceeds of the tax are deposited 47.1 percent into the state toxics control account and 52.9 percent into the local toxics control account.

Taxable hazardous substances include: (1) any substance that is a hazardous substance under the federal Comprehensive Environmental Response, Compensation, and Liability Act; (2) petroleum products; and (3) pesticides required to be registered under the federal insecticide, fungicide, and rodenticide act.

Summary of Substitute Bill: The state litter tax is repealed and a B&O surtax for litter control of 0.006 percent is placed on retailing, wholesaling, and warehousing/wholesaling of prescription drugs. Sixty-two percent of the tax receipts are deposited into the waste reduction, recycling, and litter control account; 17.9 percent in the state toxics control account; and 20.1 percent in the local toxics control account.

Credits are authorized against the surtax for income from: (1) services subject to the tax on retailing, wholesaling, and warehousing/wholesaling of prescription drugs; (2) wholesaling if the firm sells interstate transportation equipment; and (3) wholesaling for persons subject to the hazardous substance tax on petroleum products.

Non-petroleum hazardous substances are removed from taxation under the hazardous substances tax.

Substitute Bill Compared to Original Bill: The original bill was not considered.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on January 1, 2002.

Testimony For: This simplifies administration for taxpayers and the state. The litter tax revenues are erratic and difficult to forecast. The product list of litter items is outdated. The litter tax has the highest noncompliance rate which of about 40 percent because administration is complex. The small amounts of noncompliance don't justify the administrative expense to audit. This bill broadens the base to those that contribute to the problem. The compliance would be automatic and administrative burden eliminated.

Testimony Against: This is more than restructuring. Telecommunications companies do not contribute to the litter problem. This tax would drive up the price of goods.

Testified: PRO: Tim Sekerak, Russ Brubaker, DOR; Cullen Stephenson, DOE; CON: Rosemary Williamson, Verizon; Dan Coyne, Far West Agribusiness Assn; Mark Triplett, NC Machinery.