

SENATE BILL REPORT

SB 6540

As of February 28, 2002

Title: An act relating to simplifying tax administration by revising terminology and updating references and procedures.

Brief Description: Simplifying tax administration.

Sponsors: Senators Regala and Poulsen; by request of Department of Revenue.

Brief History:

Committee Activity: Ways & Means: 1/31/02, 2/28/02.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7433)

Background: Each year, legislation is introduced at the request of the Department of Revenue to improve the administration of taxes by simplifying procedures, updating references, correcting errors, eliminating obsolete language, updating terminology, and clarifying confusing language.

Summary of Substitute Bill: Tax statutes are modified to comport with the current practice of the department.

The business and occupation (B&O) tax on linen and uniform supply services is deemed to occur at the place of delivery rather than the place the services are performed to make the incidence of sales and B&O taxation of these services the same.

The sales tax exemption for horticultural services provided to farmers is clarified to show that it extends to soil preparation, cultivation activities, and harvesting activities.

Clarification is made that manufacturing and selling dairy products are separate activities for purposes of the 0.138 percent B&O tax rate.

The B&O tax on prescription drug warehousing and reselling is clarified to show that it only applies to drugs warehoused in this state.

The list of sections that are not taxed as a service under the B&O tax is replaced with a general reference.

Retail sales tax exemption certificates are removed from the definition of resale certificate because they are for different types of transactions.

The incorporation of the B&O tax definitions for purposes of the retail sales tax and the public utility tax are broadened to include all B&O tax definitions.

The reference to "dealer" in the sales and use tax exemptions for sales of watercraft to nonresidents is changed to refer to sellers.

Clarification is made that the sales and use tax exemptions for orthotic devices include components. Clarification is made that the sales and use tax exemptions for medically prescribed oxygen include other portable oxygen systems not specifically listed.

For purposes of the sales tax exemption for construction of warehouses by retailers to be used to distribute finished goods to their outlets, the exclusion of logs, minerals, petroleum, gas, and other extracted products stored as raw materials is changed to eliminate the specific list.

A reference to the Department of Agriculture is changed to the Department of Ecology in regard to which agency is required to provide the department of revenue with a list of eligible persons for purposes of the sales tax exemption for dairy nutrient management systems.

The use tax exemption for manufacturing machinery and equipment is extended to a bailment of machinery and equipment without intervening use by the bailor if the bailee's use is eligible for exemption.

Clarification is made that direct pay permits can be used to reduce operating expenses but not to avoid taxes. For items purchased with a direct pay permit that are stored in this state before use outside the state, the storage is considered use in this state if the purchase would have been subject to sales tax if purchased without a direct pay permit.

The use tax exemption for machinery and equipment used directly in generating electricity using alternative energy sources is amended to add a reference to fuel cells which was included in the sales tax exemption but inadvertently omitted from the use tax section. This applies retroactively to July 1, 2001.

Language requiring the county auditors to collect use taxes on vehicles and vessels is updated to reflect current department of licensing practices and more appropriate terminology.

The tax exemption for solid waste collection businesses that use another solid waste collection business is changed from a certification process to an exemption process.

Local sales and use taxes that are credited against the state sales tax are modified to clarify that they are credits.

The months that the department uses in calculating the interest rate on delinquent excise taxes for each new year is changed from using October of the current year to using October of the prior year to allow calculation earlier.

For purposes of the definition of mobile home for the real estate excise tax and the property tax, the language is changed from "fixed in location" to "permanently sited."

Obsolete sections are repealed and inaccurate cross references are corrected.

Substitute Bill Compared to Original Bill: The repeal of a section in the unclaimed property statutes is removed. A modification of a lodging tax statute is removed.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This is a housekeeping bill. These issues are brought up by taxpayers seeking clarification, when the department implements recent legislation, and when the department adopts rules.

Testimony Against: None.

Testified: Julie Sexton, Department of Revenue.