HOUSE BILL REPORT
HB 3158

As Reported by House Committee On:
Finance

Title: An act relating to exempting from sales and use tax computer equipment used primarily in printing or publishing.

Brief Description: Exempting from sales and use tax computer equipment used primarily in printing or publishing.

Sponsors: Representatives McIntire, Kessler and Edwards.

Brief History:
Committee Activity:
Finance: 2/9/04, 2/10/04 [DPS].

Brief Summary of Substitute Bill

· Exempts from sales and use tax computer equipment purchased by a printer or publisher used primarily in the printing or publishing of printed material.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives McIntire, Chair; Hunter, Vice Chair; Cairnes, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Ahern, Conway, Morris, Roach and Santos.

Staff: Rick Peterson (786-7150).

Background:

Sales tax is imposed on retail sales of most items of tangible personal property and some services. The use tax is imposed on the same privilege of using tangible personal property or services in instances where the sales tax does not apply. Sales and use taxes are levied by the state, counties, and cities, and total rates vary from 7 to 8.9 percent.

Machinery and equipment sold to a manufacturer or a processor for hire used directly in a manufacturing operation or research and development operation are exempt from sales

tax and use tax. Machinery and equipment must be used directly in a manufacturing operation or research and development operation to be exempt. Equipment that does not directly control manufacturing equipment, or interact with an item of tangible personal property which is part of the manufacturing process does not qualify for exemption.

Summary of Substitute Bill:

Computer equipment purchased by a printer or publisher used primarily in the printing or publishing of printed material is exempt from sales and use tax. The exemption includes parts for repair and replacement and services for installation and repair. Computer equipment exempted includes: monitors, keyboards, printers, modems, scanners, printing devices, and other peripheral equipment, cables, servers, routers, digital cameras, and computer software.

Substitute Bill Compared to Original Bill:

The substitute extends the exemption to equipment used primarily for printing or publishing any printed material rather than just printing or publishing of newspapers, periodicals, and magazines.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: The newspapers have discussed this issue with the Department of Revenue (Department) over the last four years. Printing and publishing of newspapers has always been considered a manufacturing activity and is eligible for the existing machinery and equipment sales tax exemption. This bill deals with the front end systems used to produce newspapers and other printed material. It is very difficult for the Department to parse out the portion that is exempt from sales tax and the portion that is not. In audit, the Department did not allow the exemption for three newspapers but allowed it for 15 others. This bill will simplify the situation.

(Neutral) The Department has taken the position that editing and design activity does not qualify for the sales tax exemption for manufacturing because these activities occur before manufacturing begins. The bill will simplify the administration of the exemption.

Testimony Against: None.

Persons Testifying: (In support) Bill Stauffacher, Pacific Printing & Imaging Association; and Rolland Thompson, Allied Daily Newspapers.

(Neutral) Bob Heller, Department of Revenue.

Persons Signed In To Testify But Not Testifying: None.