

SENATE BILL REPORT

SHB 3158

As Reported By Senate Committee On:
Ways & Means, February 26, 2004

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

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

Sponsors: House Committee on Finance (originally sponsored by Representatives McIntire, Kessler and Edwards).

Brief History:

Committee Activity: Ways & Means: 2/25/04, 2/26/04 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Zarelli, Chair; Hewitt, Vice Chair; Carlson, Doumit, Fairley, Fraser, Honeyford, Pflug, Prentice, Rasmussen, Regala, Roach, Sheahan and B. Sheldon.

Staff: Catherine Suter (786-7442)

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 Bill: Computer equipment purchased by a printer or publisher and 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.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: The 1995-1996 manufacturing exemptions had profound impacts on the commercial printing industry: there are now 1,800 family jobs in Washington. There is a very mixed history on whether this industry can claim the manufacturing machinery and equipment exemption for computer equipment or not, with three audits, representing \$155,000, remaining open for years. The broader issue of technology making current exemptions obsolete will grow, and the Legislature will see a parade of industries soon that will also claim that they have outgrown this exemption due to technological advances. This is a simple clarification that identifies components necessary for manufacturing in this sector.

Neutral: There have been extensive conversations about this issue between the Department of Revenue and the industry, and continued disagreement. This bill would resolve the differences, and allows the Legislature to do so rather than the courts.

Testimony Against: None.

Testified: PRO: Rowland Thompson, Allied Daily Newspapers of Washington; Diana Kramer, Washington Newspaper Publishers; Bill Stauffacher, Pacific Printing & Imaging Association; NEUTRAL: Bob Heller, Department of Revenue.