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**Finance Committee**

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**HB 1980**

**Brief Description:** Modifying the administration of taxes.

**Sponsors:** Representatives McIntire and Orcutt; by request of Department of Revenue.

**Brief Summary of Bill**

- Enacts statutory changes proposed by the Department of Revenue for purposes of clarifying excise statutes and improving administration of excise taxes.
- Corrects numerous erroneous, omitted, or outdated cross references to other statutes.

**Hearing Date:** 2/23/05

**Staff:** Bob Longman (786-7139).

**Background:**

When legislation is enacted, it frequently contains references to other statutes. These references may become erroneous due to changes made to the referenced statutes by other legislation enacted during the same legislative session. In addition, statutes sometimes include provisions that are limited in time. These provisions become obsolete with the passage of time.

From time to time, administrative agencies suggest statutory revisions for the purpose of increasing clarity or improving administration.

**Summary of Bill:**

For the purposes of determining liability for taxes of a previous business owner when more than 50% of the assets of the business are acquired by a new owner, transfers of real property are not considered.

Statutory provisions relating to taxation of fruit and vegetable processors and dairies are amended to separate references to manufacturing and selling activities, for the purpose of applying tax credits that prevent multiple taxation of manufacturing and selling.

For purposes of a tax exemption for adult boarding homes, the term "authorized services" is substituted for "domiciliary care."

An unused definition is stricken from a statute providing tax credits for aerospace manufacturing.

The word "retail" is stricken from a section that is intended to determine the taxable situs of both retail and wholesale sales of telecommunications.

For watercraft tax exemptions, the previously defined terms "buyer" and "seller" are substituted for the undefined terms "purchaser" and "dealer."

Exemption certificates for farm worker housing must be prescribed by the Department of Revenue, but need not be adopted by rule.

The definitions of prosthetic devices and kidney dialysis machines for tax exemption purposes are amended to include components.

Definitions of "computer" and "computer software" are made consistent with the Streamlined Sales Tax Agreement.

The credit for retail sales and use tax paid to other states and countries is amended to include taxes paid for services as well as tangible personal property.

Fees and charges imposed by local government shall take effect no sooner than 75 days after the Department of Revenue receives notice of the change and only on the first day of a calendar quarter. These are the same standards as applied to local sales and use taxes.

A requirement that the Department of Revenue conduct a biennial litter tax compliance study is stricken.

Leasehold excise tax exemptions for student housing do not apply to any part of a facility not used to house students. Leasehold excise tax exemptions for public facility districts apply only to facilities that the districts are authorized to build, own, or operate.

Promoters of special events are not required to verify the tax registrations of vendors who are not required to be registered for tax purposes, such as farmers.

Telephone excise taxes are added to the list of taxes for which a taxpayer can request, not more than once every 24 months, a waiver of penalties for failure to file a return.

A reference to federal agencies for purposes of sharing tax information is updated to include the Bureau of Immigration and Customs Enforcement in the Department of Homeland Security.

Several erroneous, omitted, or outdated cross references to other statutes are corrected. Typographical errors are corrected.

**Appropriation:** None.

**Fiscal Note:** Available.

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