

# SENATE BILL REPORT

## SB 6557

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As Reported By Senate Committee On:  
Labor, Commerce, Research & Development, January 26, 2006  
Ways & Means, February 16, 2006

**Title:** An act relating to the taxation of motion picture and video production services.

**Brief Description:** Modifying the taxation of motion picture and video production services.

**Sponsors:** Senators Kohl-Welles and Keiser.

**Brief History:**

**Committee Activity:** Labor, Commerce, Research & Development: 1/26/06 [DPS-WM].  
Ways & Means: 2/7/06, 2/16/06 [DP2S].

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### SENATE COMMITTEE ON LABOR, COMMERCE, RESEARCH & DEVELOPMENT

**Majority Report:** That Substitute Senate Bill No. 6557 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Kohl-Welles, Chair; Franklin, Vice Chair; Parlette, Ranking Minority Member; Brown, Hewitt, Honeyford, Keiser and Prentice.

**Staff:** John Dziedzic (786-7784)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Second Substitute Senate Bill No. 6557 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Doumit, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Fairley, Kohl-Welles, Parlette, Pridemore, Rasmussen, Roach, Rockefeller, Schoesler and Thibaudeau.

**Staff:** Dean Carlson (786-7305)

**Background:** Washington's major business tax is the business and occupation (B&O) tax, which is imposed on the gross receipts of all business activities conducted within the state, without any deduction for the costs of doing business. Although there are several different rates, the most common rates are 0.471 percent for retailing; 0.484 percent for wholesaling or manufacturing; and 1.5 percent for service activities. A business located both in Washington and elsewhere is allowed to apportion to Washington only the income derived from services performed within Washington.

The state's tax structure also includes a retail sales and use tax, which is imposed on the sale of most items of tangible personal property and some services purchased at retail. In 1995, the Legislature exempted from state and local sales and use taxes the rental of production equipment or the sales of production services to a motion picture or video production

business. This exemption included cameras, lighting equipment, helicopters rented for movie or video production, vans, and trucks specifically equipped for movie and video production. In 1997, this exemption was extended to include other vehicles used solely for production activities.

**Summary of Second Substitute Bill:** Motion picture or video production is defined for B&O and retail sales tax purposes as the creation of recorded audio-visual material, other than for a newscast or sporting event, which is intended for distribution to theaters, television, the internet, or by DVD. The rate of taxation for motion picture or video production, other than receiving royalties, is reduced from 1.5 percent to 0.484 percent. The B&O tax reduction expires July 1, 2016.

**Second Substitute Bill Compared to Substitute Bill:** The B&O tax reduction expires July 1, 2016.

**Substitute Bill Compared to Original Bill:** A technical correction is made to clarify that the tax rate applies to production services for both motion picture and video productions.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

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

**Testimony For (Labor, Commerce, Research & Development):** Other states and Canadian provinces are attracting motion picture and video production projects at Washington's expense because those other jurisdictions have tax incentives to offer, and production companies have come to give them significant weight when making their film location decisions. Although Washington's Business & Occupation tax structure makes it difficult to compete with such packages, this bill provides a modest incentive that will produce a major benefit in increased opportunities for family-wage-earning jobs for Washington workers.

**Testimony Against (Labor, Commerce, Research & Development):** None.

**Who Testified (Labor, Commerce, Research & Development):** PRO: Senator Lisa Brown; Jim Hedrick, Don Jensen, WA Entertainment Industry Players Assn.; David Robinson, International Alliance of Theatrical Stage Employees, Local 488; Margaret Schuler.

**Testimony For (Ways & Means):** This bill gives motion picture production its own B&O rate and does not effect sales tax. Other states redefine motion picture production as manufacturing. This will help enhance the motion picture production industry.

**Testimony Against (Ways & Means):** None.

**Who Testified (Ways & Means):** PRO: Jim Hedrick, WEIPA; Martin Oppenheimer, WEIPA and Oppenheimer Line Rental.