

FINAL BILL REPORT

ESHB 1981

C 182 L 07

Synopsis as Enacted

Brief Description: Concerning the excise taxation of electronically delivered financial information.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Hunter, Conway, Orcutt, Anderson, Santos, Kessler, Jarrett, Condotta and McIntire).

House Committee on Finance

Senate Committee on Ways & Means

Background:

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services. Use taxes apply to the value of most tangible personal property and some services when used in this state if retail sales taxes were not collected when the property or services were acquired by the user. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 2.4 percent, depending on the location. The average local tax rate is 2.0 percent, for an average combined state and local tax rate of 8.5 percent.

The definition of tangible personal property includes electricity and prewritten computer software. Electronically delivered digital goods, such as music, video, and standard data files, are also considered tangible personal property and are subject to retail sales or use tax.

Retail sales and use taxation of software and electronically delivered information depends upon whether the subject of the sale is primarily a service or a product. For example, charges for custom program development or custom information development for a specific user are considered a service and not subject to retail sales tax. The sale of standard information, not created for a single person, is treated as a retail sale.

Summary:

Electronically delivered standard financial information sold to an investment management company or financial institution is exempted from retail sales and use tax. Standard financial information is financial data or facts not generated for a specific customer. Examples include financial market data, bond ratings, credit ratings, and deposit reports, loan reports, or mortgage reports.

Votes on Final Passage:

House 93 3

Senate 40 5

Effective: August 1, 2007