

SENATE BILL REPORT

SB 5768

As Reported By Senate Committee On:
Ways & Means, March 5, 2007

Title: An act relating to excise taxation of electronically delivered financial information.

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

Sponsors: Senators Kilmer, Zarelli, Prentice, Murray, Hewitt, Franklin and Regala.

Brief History:

Committee Activity: Ways & Means: 2/07/07, 3/05/07 [DPS, DNP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5768 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Zarelli, Ranking Minority Member; Brandland, Carrell, Hatfield, Hewitt, Hobbs, Honeyford, Keiser, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Minority Report: Do not pass.

Signed by Senators Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget and Fairley.

Staff: Dean Carlson (786-7305)

Background: Sales tax is imposed on the retail sales of most items of tangible personal property and some services. The use tax is imposed on the 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.

Summary of Bill: The bill as referred to committee not considered.

SUMMARY OF RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Ways and Means): A sales and use tax exemption is provided for sales of electronically delivered standard financial information, if the sale is to an investment management company or a financial institution.

Financial institutions include national banks, state banks, trust companies, mutual savings banks, building and loan associations, and savings and loan associations.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Investment company means a company which:

- is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, or trading in securities;
- is engaged or proposes to engage in the business of issuing face-amount certificates of the installment type, or has been engaged in such business and has any such certificate outstanding; or
- is engaged or proposes to engage in the business of investing, reinvesting, owning, holding, or trading in securities, and owns or proposes to acquire investment securities having a value exceeding 40 percent of the value of such issuer's total assets (exclusive of Government securities and cash items) on an unconsolidated basis.

Standard financial information is defined as any collection of financial data or facts, not compiled for a specific customer, including financial market data, bond ratings, credit ratings, and deposit, loan, or mortgage reports.

Appropriation: None.

Fiscal Note: Requested on February 1, 2007.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on August 1, 2007.

Staff Summary of Public Testimony: PRO: Financial services firms are part of the state economic plan to recruit. In many cases, it is not clear when the sales tax applies to electronically delivered information. Businesses need to know clearly whether or not tax applies to financial information transactions. Our corps business sectors are highly dependent on financial market data. This information is critical to our business model. Prior to 2005, the Department of Revenue considered this a non-taxable item. This clarifies the department's previous position.

Persons Testifying: PRO: Senator Kilmer, prime sponsor; James Patrick Clarkson, Brian Charles Tipple, and Greg Pierce, Russell Investment Group.