

HOUSE BILL REPORT

HB 1597

As Reported by House Committee On:
Finance

Title: An act relating to improving the administration of state and local tax programs without impacting tax collections by providing greater consistency in numerous tax incentive programs, revising provisions relating to the confidentiality and disclosure of tax information, and amending statutes to improve clarity and consistency, eliminate obsolete provisions, and simplify administration.

Brief Description: Concerning the administration of state and local tax programs.

Sponsors: Representatives Springer and Hunter; by request of Department of Revenue.

Brief History:

Committee Activity:

Finance: 2/5/09, 3/2/09 [DPS].

Brief Summary of Substitute Bill

- Provides uniformity in the tax incentive accountability provisions.
- Revises provisions relating to the confidentiality and disclosure of tax information.
- Makes technical changes to the excise, estate, and property tax laws.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Conway, Ericks, Santos and Springer.

Minority Report: Do not pass. Signed by 3 members: Representatives Orcutt, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Condotta.

Staff: Joseph Archuleta (786-7192)

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.

Background:

Tax Incentive Accountability.

The Legislature has enacted or extended numerous tax incentives that require the reporting of information to the Department of Revenue (DOR). Although there are many similarities in the requirements and only two distinct accountability documents (annual reports and annual surveys), there are differences in the information reported, penalties for failure to file, due dates, filing extensions, and filing requirements.

Confidentiality and Disclosure.

There are certain areas regarding the confidentiality of taxpayer information that often involves highly personal information such as bank account records and Social Security numbers. Generally, tax return information is confidential; however, there are a number of exceptions including disclosing tax information to a peace officer or the Internal Revenue Service of the United States for official purposes.

Property Tax.

The DOR is responsible for the general supervision and control over the administration of property tax. County assessors value property for tax purposes and county treasurers collect the tax.

Clarifications and Technical Corrections.

Inaccuracies in the Revised Code of Washington (RCW) may occur in a variety of ways. Typographical, drafting, structural, or grammatical errors may be made in bill drafts and floor amendments. Sections may be repealed, re-codified, or amended in a way that changes their internal numbering, creating incorrect cross-references. A bill may change a particular term or an entity may be renamed or abolished and references to these terms or entities in other provisions of the RCW become inaccurate.

Summary of Substitute Bill:

The summary below highlights the effect of each section of the bill. In addition to these changes, technical corrections are made to various provisions related to excise, estate, and property tax laws. These changes include:

- correcting drafting errors, structural problems such as RCW strings that are not in numeric order, inaccurate references to terms that have been changed, and inaccurate cross-references;
- adding or modifying language to clarify statutory provisions; and
- repealing several obsolete provisions of code.

Tax Incentive Accountability.

Tax incentive accountability amends various tax incentive statutes that require recipients to file an annual survey or an annual report with the DOR and creates a uniform annual survey and uniform annual report. References are deleted to all existing annual report and annual survey statutes, which are repealed and replaced with the uniform annual report and annual survey requirement.

Confidentiality.

Various statutes are modified that relate to confidentiality of tax information.

The DOR is authorized to disclose:

- tax information to the Streamlined Sales Tax Governing Board for official board purposes;
- tax information to a person whom the DOR has asserted liability against under the estate tax;
- tax information in a contractor bond action;
- limited real estate excise tax (REET) information to filed REET affidavits;
- tax information to the federal Alcohol and Tobacco Tax and Trade Bureau of the U.S. Department of the Treasury; and
- names of taxpayers with unpaid tax warrants (by removing the current \$5,000 threshold).

Miscellaneous changes to tax returns and tax information include:

- adding the estate tax to the list of confidential tax returns; and
- authorizes cities to make taxpayer information for municipal business and occupation (B&O) taxes confidential.

Clarifications.

This section makes substantive changes and clarifies several drafting ambiguities and statutory references, which may lead to taxpayer confusion.

Substantive changes include:

- expanding the B&O tax exemption for fundraising sales to include public libraries;
- changes the responsibility to administer any local fuel taxes from the Department of Licensing to the DOR; and
- eliminating tangible personal property from the estate tax deduction for property used for farming.

The section clarifies:

- that vending-machine sales of soft drinks and dietary supplements are taxed on 100 percent of the gross sales;
- that the motor vehicle fuel tax and the special fuel tax do not preempt other state taxes, such as the B&O tax, on the business of manufacturing, selling, or distributing motor vehicle fuel; and
- that sellers are not required to collect use tax from purchasers on sales that are exempt from sales tax but not use tax.

Property Tax.

Various property tax statutes are modified that deal with or affect administering the property tax laws of the state. The bill allows the DOR to convert informal appeals before the State Board of Tax Appeals to formal appeals, and allows the transfer of property to a surviving domestic partner without triggering the higher farm income thresholds in the farm and agricultural current use program. The bill eliminates duplicate audits by the Joint Legislative Audit and Review Committee, makes the reporting consistent with the review of tax

preferences schedule for the low-income property tax deferral program, and eliminates the requirement for county assessors to furnish the State Auditor with an abstract of the tax rolls.

In addition, the bill removes the requirement that the county legislative authority levy taxes "at its October session" making it consistent with another law that states counties have until November 30 to certify their levy to the county assessor, and repeals language that adjusts the 1 percent limit calculation for a now unused tax increment financing law. Finally, the bill extends the property tax exemption for property leased to a county hospital, defines child day care center for property tax exemptions, and conforms the law to the 2007 change that eliminated the February 15 date and allows property taxes to be paid as soon as the county treasurer has completed the tax roll for the current year's collection.

Miscellaneous.

This section amends several miscellaneous provisions such as severability clauses, application date clauses, effective and expiration dates, and codification directions.

Substitute Bill Compared to Original Bill:

The substitute bill clarifies that failure to file a complete annual report triggers the payment of taxes and interest. Additionally, the substitute bill replaces the requirement that the State Auditor bill and collect unpaid taxes with the county auditor.

The substitute bill makes several additional technical changes.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) This bill provides for greater protection of Social Security and bank account numbers, streamlines the accountability provisions, and makes technical corrections to the tax code by removing duplicative and out-dated language. This bill will help improve the administration of the tax code.

(Opposed) None.

Persons Testifying: Representative Springer, prime sponsor; and Drew Shirk, Department of Revenue.

Persons Signed In To Testify But Not Testifying: None.