
Finance Committee

HB 1976

Brief Description: Funding agricultural production research through the life sciences discovery fund with certain marijuana-related revenues.

Sponsors: Representative Morris.

Brief Summary of Bill

- Establishes an intangible personal property tax on marijuana-related trademarks, trade names, patents, and copyrights and deposits proceeds into the Life Sciences Discovery Fund.
- Provides that proceeds from the new tax be used for agricultural production-based research.

Hearing Date: 3/22/13

Staff: Jeff Olsen (786-7175).

Background:

Initiative 502.

Initiative 502 (I-502) was a ballot measure approved by Washington voters in November of 2012. The passage of the initiative legalized the recreational use of marijuana and created a comprehensive regulatory scheme that includes provisions regarding the following:

- legalizing the possession of up to one ounce of marijuana and related products for personal use;
- licensing and regulating marijuana production and distribution;
- creating a dedicated marijuana fund for the collection and distribution of marijuana related tax revenues;
- deleting statutory provisions containing criminal and/or civil penalties for activities authorized by I-502; and
- revising drunk driving laws to include specific provisions pertaining to driving under the influence of marijuana.

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.

An excise tax of 25 percent is imposed on the production, processing and retailing of recreational marijuana. The tax is imposed at all three levels of distribution. In addition to the 25 percent excise tax at the retail level, sales tax is imposed on the retail sale of marijuana.

Life Sciences Discovery Fund.

The Life Sciences Discovery Fund Authority (Authority) was created in 2005 to promote life sciences research in Washington. The Authority was authorized to receive tobacco settlement strategic contribution payments.

Intangible Property.

All real and personal property is subject to property tax each year based on its value, unless a specific exemption is provided by law. Intangible personal property is exempt from taxation.

Examples of intangible personal property includes:

- any monies and credits, mortgages, notes, accounts, certificates of deposit, tax certificates, and judgments;
- state, county, and municipal bonds and warrants;
- bonds, stocks, or shares of private corporations; and
- trademarks, trade names, brand names, patents, and copyrights.

Property Tax Limits.

The state Constitution limits regular property tax levies to a maximum of 1 percent of the property's value (\$10 per \$1,000 of assessed value). The Legislature has established individual district rate maximums and aggregate rate maximums to keep the total tax rate for regular property taxes within the constitutional limit. In addition to the 1 percent levy limit, there is a 1 percent cap on the revenues a taxing district can receive each year based on the highest amount levied in the past three years. An individual taxing district with a regular property tax levy must adhere to both the statutory rate limits and the revenue limit.

Summary of Bill:

A state property tax of \$3.60 per \$1,000 of assessed value is established on the assessed value of trademarks, trade names, brand names, patents, and copyrights that are related to marijuana. The Department of Revenue may adopt rules for determining the true and fair value of intangible personal property related to marijuana. Limitations upon regular property taxes restricting the growth in levies to the lesser of 1 percent or inflation do not apply to the property tax on marijuana-related intangible personal property.

Proceeds from the taxation of marijuana-related intangible personal property are deposited in the Life Sciences Discovery Fund and may only be used to fund agricultural production-based research that meets all of the other grant award requirements as determined by the Life Sciences Discovery Fund Authority.

Appropriation: None.

Fiscal Note: Requested on March 4, 2013.

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