

HOUSE BILL REPORT

SSB 5275

As Reported by House Committee On: Finance

Title: An act relating to tax code improvements that do not affect state revenue collections.

Brief Description: Concerning tax code improvements that do not affect state revenue collections.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Schoesler, Hargrove, Hill, Sheldon and Hewitt).

Brief History:

Committee Activity:

Finance: 3/17/15, 4/3/15 [DP].

Brief Summary of Substitute Bill

- Makes technical clarifications, updates, and consolidations in the state tax code.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 16 members: Representatives Carlyle, Chair; Tharinger, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Fitzgibbon, Manweller, Pollet, Reykdal, Robinson, Ryu, Springer, Stokesbary, Vick, Wilcox and Wylie.

Staff: Richelle Geiger (786-7175).

Background:

Technical Revisions to Tax Statutes.

Technical revisions to the Revised Code of Washington (RCW) may be required for multiple reasons. Sections of the RCW may be repealed, recodified, or amended in a way that changes their internal or statutory numbering or terminology. The language in these sections, as well as references to these sections in other provisions of the RCW, then become incorrect.

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.

Statutes may become obsolete with the passage of time, evolution of technology, improvement of administrative processes, or adoption of state or federal legislation.

Administrative agencies occasionally suggest statutory revisions for the purpose of increasing clarity or improving administration.

Streamlined Sales and Use Tax Agreement.

In 2007 Washington enacted legislation to conform to the national Streamlined Sales and Use Tax Agreement (SSUTA). The legislation took effect on July 1, 2008. The SSUTA is a voluntary multi-state effort to simplify and modernize sales and use tax administration for member states in order to substantially reduce the burden of tax compliance. Currently, 24 states are full members of the agreement. The agreement focuses on improving sales and use tax administration systems for all sellers and for all types of commerce through all of the following:

- state level administration of sales and use tax collections,
- uniformity in the state and local tax bases,
- uniformity of major tax base definitions,
- central electronic registration system for all member states,
- simplification of state and local tax rates,
- uniform sourcing rules for all taxable transactions,
- simplified administration of exemptions,
- simplified tax returns and tax remittances, and
- protection of consumer privacy.

Each member state of the SSUTA maintains a taxability matrix to identify the goods and services that are subject to sales tax and those that are exempt from sales tax in their state.

Summary of Bill:

The technical clarifications, updates, and consolidations made in this bill are organized in four sections: (1) eliminating obsolete and redundant statutory provisions; (2) promoting administrative efficiencies; (3) providing greater clarity and consistency; and (4) taxability matrix.

Section 1: Eliminating Obsolete and Redundant Statutory Provisions.

1. Duplicative and unused tax exemption and tax credit provisions are repealed (section 101).
 - a. Business and occupation (B&O) tax credit for printing by schools (RCW 82.04.395) and printing by local government (RCW 82.04.397) are repealed. They are duplicative of the B&O tax credit for printing by local governments (RCW 82.04.600).
 - b. B&O tax credit for job training services (RCW 82.04.4333) is repealed. According to tax reporting data, the credit has not been used since 2006.
 - c. B&O tax credit for purchasing mechanical lifting devices (RCW 84.04.4485) is repealed. The credit could not be earned after December 30, 2010. Unused

credit can be carried forward until fully used and tax reporting data indicates the credit has not been claimed since the first quarter of 2011.

- d. Sales tax exemption for sales to nonresidents of certain retail services (RCW 82.08.0265), such as the repair of tangible personal property (TPP) and TPP that becomes a component part during the course of providing retail services, is repealed. The statute is obsolete because the SSUTA (RCW 82.32.730) generally requires the sales of TPP and retail services is sourced to the location where receipt by the buyer occurs.
2. Obsolete statutory references to duties of the State Treasurer that are no longer required are removed (section 101).
3. Obsolete statutory references to cyclical revaluation for property tax purposes are removed (sections 102 through 104).

Section 2: Promoting Administrative Efficiencies.

1. The process of providing notice to automotive repair facilities regarding customer rights is amended to permit the Department of Revenue (DOR) to maintain the information on its website in lieu of sending annual notices to automotive repair facilities (section 201).
2. The application requirement for the sales tax exemption for certain services and components related to anaerobic digesters is eliminated (section 202).

Section 3: Providing Greater Clarity and Consistency.

1. Obsolete statutory references to out-of-date federal aviation regulation citations and terms are removed (section 301).
2. Several RCWs are amended to provide technical clarifications.
 - a. The B&O and sales and use tax exemptions for restaurant employee meals apply only to the restaurant's employees (sections 302 through 304).
 - b. Airplanes primarily used to provide services to the federal government, such as fire suppression services, are exempt from sales and use tax (sections 305 and 306).
 - c. The DOR may only adopt rules to administer cigarette and other tobacco product tax (OTP) statutes, but not enforce these statutes. The Liquor Control Board enforces the cigarette and OTP statutes (sections 307 and 308).
 - d. The excise tax general administrative provisions (RCW 82.32) apply to fees collected by the DOR (sections 309 through 311).
 - e. The requirement to maintain records applies to any tax or fee administered by the DOR (section 310).
 - f. County treasurers may discontinue the property tax foreclosure process when a taxpayer pays all amounts due under a certificate of delinquency, except a lien for deferred property taxes that remain eligible for continued deferral. (sections 315 and 316).
3. The term "disability" for purposes of the property tax exemption for nonprofit homes for aging, the senior citizen and disabled person property tax deferral, and the property tax grant program for widows and widowers of veterans is aligned with the definition of "disability" for the senior citizen and disabled person property tax exemption program (sections 312 through 314).

Section 4: Taxability Matrix.

This section implements recent amendments to the SSUTA.

1. When the taxability matrix is updated, sellers and certified service providers who relied on the prior taxability matrix are relieved from liability until the first day of the calendar month that is at least 30 days after the DOR submits notice of the change to the taxability matrix to the SSUTA's Governing Board.
2. The taxability matrix is expanded to include the state's practices in the administration of sales and use taxes as required under the SSUTA.

Appropriation: None.

Fiscal Note: Available.

Effective Date: 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 is a technical clean up bill and does not include any policy changes.

(Opposed) None.

Persons Testifying: Drew Shirk, Department of Revenue.

Persons Signed In To Testify But Not Testifying: None.