HOUSE BILL REPORT
ESSB 6057

As of Second Reading

Title: An act relating to stimulating economic development through the use of tax preferences and streamlined tax administration.

Brief Description: Concerning stimulating economic development through the use of tax preferences and streamlined tax administration.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senator Hill).

Brief History:
Committee Activity:
None.

Brief Summary of Engrossed Substitute Bill

- Extends the expiration date of tax preferences for food processors.
- Provides a sales and use tax exemption for eligible server equipment in certain data centers.
- Creating a pilot program that provides a sales and use tax deferral on the construction of manufacturing facilities.
- Extending tax preferences for aluminum smelters.
- Extends the preferential business and occupation tax rate for newspapers.
- Provides reduced public utility tax rate for log transportation businesses.
- Provides a use tax exemption to nonresident entity owned vessels.
- Modifies the distribution of aircraft excise taxes.
- Provides a business and occupation tax credit for businesses that hire veterans.
- Permanently extends tax preferences to honey bee products.
- Permanently extends a sales and use tax exemption for was, ceramic materials, and labor related to the creation of investment castings used in industrial applications.
- Provides and business and occupation tax exemption for hazardous substances warehoused but not otherwise used in the state.

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.

- Modifies a property tax exemption for property owned by nonprofit fair associations.
- Changes the administration of unclaimed property laws.
- Removes the expiration date for the sales and use tax exemption for wax, ceramic materials.

Staff: Jeffrey Mitchell (786-7139).

Background:

Sales and Use Tax.
Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use taxes apply to the value of property, digital products, or services when used in this state. The state, most cities, and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent. Local sales and use tax rates vary from 0.5 percent to 3 percent, depending on the location.

B&O Tax.
Washington's major business tax is the B&O tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. Revenues are deposited in the state general fund. A business may have more than one B&O tax rate, depending on the types of activities conducted. There are a number of different rates. The main rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent for professional and personal services, and activities not classified elsewhere.

Public Utility Tax (PUT).
Income from utility operations is taxed under the PUT and is in lieu of the B&O tax; other income of the utility firm, e.g. retail sales of tangible personal property, is subject to the B&O tax. Unlike the B&O tax which pyramids, the PUT applies only on sales to consumers. Five different rates apply, depending upon the specific utility activity. The current rates, including permanent surtaxes, are as follows:

- distribution of water, 5.029 percent;
- generation or distribution of electrical power, 3.873 percent;
- telegraph companies, distribution of natural gas, and collection of sewerage, 3.852 percent;
- urban transportation and watercraft vessels under 65 feet in length, 0.642 percent; and
- railroads, railroad car companies, motor transportation, and all other public service businesses, 1.926 percent.

Property Tax.

All real and personal property in this state is subject to the property tax each year based on its value, unless a specific exemption is provided by law. The tax bill is determined by multiplying the assessed value by the tax rate for each taxing district in which the property is located. The county treasurer mails a notice of tax due to taxpayers and collects the tax.

Leasehold Excise Tax.
Leasehold interest means an interest in publicly owned real or personal property which exists by virtue of any lease, permit, license, or any other agreement, written or verbal, between the public owner of the property and a person who would not be exempt from property taxes if that person owned the property in fee, granting possession and use, to a degree less than fee-simple ownership.

A leasehold excise tax is levied on the act or privilege of occupying or using publicly owned real or personal property or real or personal property of a community center through a leasehold interest on and after January 1, 1976, at a rate of 12 percent of taxable rent. A tax credit is available against the county tax for the full amount of any city tax imposed on the same taxable event.

Tax Preferences for Food Processing: Manufacturers of fresh fruit or vegetables, seafood products, and dairy products are eligible for exemptions from the B&O tax.
The B&O tax exemptions provide an exemption from the manufacturing B&O tax on the value of products sold by fresh fruit or vegetable, seafood product, or dairy product manufacturers; and, generally, an exemption from retailing and wholesaling B&O tax for those products manufactured and sold by the manufacturer to a customer who transports the product outside this state in the normal course of business.

These exemptions expire June 30, 2015. When they expire, the income is no longer exempt from B&O tax but will become subject to a reduced B&O tax rate of 0.138 percent for the manufacturing, retailing, and wholesaling activities. All businesses claiming the exemptions are required to electronically file an Annual Tax Incentive Survey by April 30 of the year following the year the exemption was claimed. The Annual Survey provides employment and wage information regarding firms claiming the exemptions and also provides the tax savings to individual firms from claiming the exemptions.

Sales and Use Tax Exemption for Eligible Server Equipment Installed in Certain Data Centers.
In 2010 the Legislature enacted Chapter 1, 2010 Laws 1st sp. s (ESB 6789) which provided a sales and use tax exemption for server equipment and power infrastructure for computer data centers. The exemption was to expire on April 1, 2018. In order to qualify, a data center must be located in a rural county, have at least 20,000 square feet dedicated to housing servers, and have commenced construction between April 1, 2010, and before July 1, 2011. Additionally, within six years of construction, a qualifying business must have created 35 family wage employment positions or three family wage employment positions per 20,000 square feet of space. Construction of a data center includes the expansion, renovation, or other improvements made to existing facilities, including leased or rented space. A family wage employment position is a new full-time position at the qualifying data center requiring 40 hours of weekly work, or their equivalent, on a weekly basis and the wage must be greater

than 150 percent of the county's per-capita income of the county where the qualified data center is located.

The exemption applied to the original server equipment installed after April 1, 2010, and replacement server equipment which replaces servers originally exempt from tax and installed prior to April 1, 2018.

In 2012 Legislation was enacted that extended the time for eligible data centers and qualifying tenants of data centers to qualify for the sales and use tax exemption on server equipment and power infrastructure to those that commenced construction between April 1, 2012, and July 1, 2015. The exemption time is extended for eligible replacement server equipment placed in new data centers and for qualifying tenants until April 1, 2020.

<u>Incentives for Investments in Washington State Job Creation and Economic Development.</u>
Economic development policies are designed to improve the economic wellbeing of a community through efforts that include job creation, job retention, infrastructure improvements, workforce training, tax base enhancements, and improvements to quality of life. State and local governments may utilize a variety of tools to attract economic investment in their communities. In Washington there are a variety of tax polices including preferential tax rates, credits, exemptions, deductions, and deferrals that are designed to enhance economic activity, create or retain jobs, and attract business investments. For example the High Unemployment County Sales & Use Tax Deferral/Waiver for Manufacturing Facilities, established in 2010, encourages job creation in areas with high unemployment by offering certain businesses a sales and use tax deferral on construction of new buildings or purchases of qualifying machinery and equipment. Businesses that maintain a qualified activity for seven years after completion of the project are no longer required to repay deferred sales and use taxes.

<u>Aluminum Smelter Tax Preferences.</u>
In 2004 the Legislature passed a package of tax preferences for the aluminum industry that were scheduled to expire on January 1, 2007. The tax preferences for the aluminum industry include the following:

- a reduced B&O rate from 0.484 percent to 0.2904 percent for manufacturers of aluminum;
- a B&O tax credit for the amount of property taxes paid on an aluminum smelter;
- a sales and use tax credit against the state portion of the tax for personal property, construction materials, and labor and services performed on buildings and property at an aluminum smelter; and
- an exemption from the brokered natural gas use tax on gas delivered through a pipeline.

In 2006 the Legislature extended the tax preferences to 2012, and again in 2010 the Legislature extended the tax preferences to 2017.

The Citizen Commission for Performance Measurement of Tax Preferences (Commission) was established by the Legislature in 2006. The Commission develops a schedule to review nearly all tax preferences at least once every ten years. The Commission also schedules tax preferences with expiration dates to be reviewed two years before the tax preference expires.

Tax preference reviews are conducted by the Joint Legislative Audit and Review Committee (JLARC) according to the schedule established by the Commission. The aluminum tax incentives were reviewed in 2009. JLARC recommended that the Legislature extend the expiration date for these tax preferences because the public policy goal of preserving family wage jobs is being maintained, and because the high energy prices that brought about the tax preferences were higher and more volatile than when the tax preferences were originally enacted.

The Commission endorsed the recommendation to extend the expiration dates and further recommended that the Legislature consider establishing a final expiration date.

JLARC is scheduled to review the aluminum industry tax preferences in 2015.

Newspaper Tax Preference.
In 2008 and again in 2012, the Legislature temporarily revised the definition of newspaper to include electronic versions of newspapers. The effect of this is that both the online version of a newspaper and the physical version of a newspaper are taxed at the B&O rate of 0.35 percent until July 1, 2015, and 0.2904 percent thereafter. The definition is set to expire July 1, 2015.

If the electronic version of a newspaper is not included in the definition of a newspaper, the B&O tax will apply to the electronic version based on the revenue-generating activity. For advertising revenues the rate of 1.5 percent would apply, and for subscription sales the rate of .471 percent would apply.

Public Utility Tax for Log Transportation Businesses.
In 2009 the Legislature passed ESSB 6170, which reduced the usual PUT rate on log hauling from 1.926 percent to 1.3696 percent of gross income. That reduced rate expired in June 2013.

Nonresident Vessel Permits and Taxation.
Nonresident individuals purchasing a vessel in Washington or piloting a vessel into Washington waters may be eligible for a special use permit that exempts the purchase or use of the vessel from sales and use taxation. A use permit also satisfies vessel registration requirements administered by the state Department of Licensing (DOL). A use permit may be obtained by a nonresident individual purchasing or using a vessel in Washington if the vessel is at least 30 feet in length. A use permit is not renewable and costs $500 for vessels 30 to 50 feet and $800 for vessels greater than 50 feet in length. A use permit is valid for 12 consecutive months from the date of purchase. A nonresident business entity, e.g. corporation, limited liability company, partnership, etc., is not eligible to receive a use permit.

Generally, a nonresident individual or business entity bringing a vessel into Washington waters does not need to obtain a permit from DOL for up to 60 days if the vessel is currently registered in another state or the vessel has a current U.S. Coast Guard Documentation Paper. If a vessel owner is a nonresident individual and will be operating a vessel on Washington waters for more than 60 days, the owner may apply for a vessel permit on or before the sixtieth day of the visit to remain in the state for an additional 60 days. The person may renew the vessel permit once for an additional 60 days. When the renewed permit expires, the vessel owner must either register the boat in Washington or remove the boat from Washington waters. A nonresident business entity owning a vessel is not eligible to receive a vessel permit.

Aircraft Excise Taxes.
Current law requires the collection of an annual aircraft excise tax. The amount of the tax varies by the type of aircraft and generally ranges from $20 for a home-built aircraft up to $125 for a turbojet multi-engine fixed wing plane. Of the taxes collected, 90 percent is deposited into the general fund and 10 percent is retained in the aeronautics account to cover administrative expenses. This distribution has been the same since 1987, prior to that 100 percent of the aircraft excise tax was deposited into the general fund.

The Aviation Division of the Washington State Department of Transportation (WSDOT) annually awards grants to public use airports in the state for pavement, safety, planning, and security. Awards are funded from the aeronautics account. Aeronautics account state funds are typically used to leverage additional federal funds beyond those already received by WSDOT.
A fuel tax administration bill (SHB 1883) passed in the 2013 legislative session, and which becomes effective July 1, 2015, erroneously eliminated the aeronautics account.

Tax Credits for Hiring Veterans.
The federal government recently had a program that provided a tax credit for hiring various groups, including qualified veterans, known as the Work Opportunity Tax Credit. It expired December 31, 2013.

Taxation of the Honey Bee Industry.
The B&O tax does not apply to farmers (persons producing agricultural products for sale) selling agricultural products at wholesale or growing agricultural products owned by others, such as custom feed operations.

In 2008 and 2013 the Legislature enacted temporary tax exemptions related to apiarists and honey bee products. Honey bee products are defined as queen honey bees, packaged honey bees, honey, pollen, beeswax, propolis, or other substances obtained from honey bees. Honey bee products do not include manufactured substances or articles. The following is a list of tax exemptions set to expire on July 1, 2017:
- wholesale sales of honey bee products that do not otherwise qualify for the general agricultural product exemption (B&O);
- bee pollination services to a farmer using a bee colony owned or kept by the person providing the pollination services (B&O);
- sales of honey bees to eligible apiarists (retail);
- sales of feed to eligible apiarists to raise a bee colony to make honey bee products (retail);
- use of honey bees by eligible apiarists (use); and
- use of feed by eligible apiarists in raising a bee colony to make honey bee products (use).

Use Tax Relief for Individuals Who Support Charitable Activities.

Amounts received from fundraising activities by nonprofit organizations and libraries are exempt from the B&O tax. Similarly, sales made by nonprofit organizations or libraries are exempt from the sales tax. However, those who purchase or receive as a prize an article of personal property from a nonprofit organization or library for a fundraising activity owe use tax to the state if the article of personal property is worth $10,000 or more. This exemption is set to expire July 1, 2017.

Hazardous Substance Tax.

The tax imposed on hazardous substances was initiated in the late 1980s, first by the Legislature and then by Initiative 97.

The tax base of the hazardous substance tax created by the Model Toxics Control Act (MCTA) is the wholesale value of substances defined as hazardous. It is a privilege tax imposed on the first possession in Washington State of petroleum products under the federal Comprehensive Environmental Response, Compensation, and Liability Act; pesticides registered under the Federal Insecticide, Fungicide, and Rodenticide Act; and substances designated by rule by the Washington State Department of Ecology to present a threat to human health or the environment.

The tax rate is 0.7 percent. The proceeds, up to $140 million since July 1, 2013, are deposited into two accounts: 56 percent to the state toxics control account; and 44 percent to the local toxics control account. Any amount over $140 million is deposited into the environmental legacy stewardship account. The purpose of MCTA is to raise sufficient funds to clean up all hazardous waste sites and to prevent the creation of future hazards due to improper disposal of toxic wastes into the state's land and waters. The 2014 proceeds of $195,010,885 are $3,452,782 less than those of 2013.

There are exemptions from the hazardous substance tax, one of which includes persons and activities that the state is prohibited from taxing under the United States Constitution. This prohibition applies to materials in interstate commerce under article 1, section 8, clause 3, of the Constitution. This clause empowers Congress "to regulate commerce with foreign nations, and among several states, and with the indian tribes."

Agricultural crop protection products that meet the definition of pesticides under MCTA are sometimes manufactured at an out-of-state location and then are shipped to Washington warehouses. Sometimes the product is shipped from the Washington warehouse to a Washington retailer for sale to the Washington farmer or certified pesticide applicator. These products are subject to the hazardous substance tax because they are not items in interstate commerce.

A question has arisen when the product is shipped out of Washington from the warehouse. The DOR rules allow the exemption if the product in the warehouse is already owned by the out-of-state recipient when the product is received at the warehouse. Under any other shipping scenario, DOR levies the tax on the product even though it is ultimately sold out of state.

Property Tax Exemption For Nonprofit Fair Associations.

Generally, the real and personal property of a nonprofit fair association that sponsors or conducts a fair or fairs eligible to receive support from the fair fund and allocated by the director of the Department of Agriculture is exempt from property taxation. The property must be used exclusively for fair purposes.

Property that would not otherwise qualify may be exempt from taxation if the nonprofit fair association had purchased or acquired the majority of such property between 1995 and 1998. This exception cannot be claimed after 2018.

The Uniform Unclaimed Property Act (Act).
The Act governs the disposition of property that is unclaimed by its owner. A business that holds unclaimed property (holder) must report and transfer the property to the DOR after a holding period set by statute. The holding period varies by the type of property, but for most unclaimed property, such as abandoned bank accounts, stocks, and bonds, the holding period is three years. After the holding period has passed, the holder in possession of the property transfers the property to DOR. A holder who willfully fails to file a report, or deliver property, as required under the Act is subject to a $100 per-day penalty plus an additional 100 percent penalty based on the value of the property that should have been reported.

DOR's duty is to find the rightful owner of the property, if possible. Most property reported is intangible property and holders remit the cash value to DOR. With some exceptions, DOR will sell tangible property that is still unclaimed within five years after it is received. State law requires DOR to hold stocks, bonds, and other securities for a period of time â€“ usually three years â€“ before being sold. When the unclaimed property is sold, the sale proceeds are deposited in the state general fund.

The owner of unclaimed property may come forward at any time to claim the property. If the property has already been sold by DOR, the owner is generally entitled to the proceeds of the sale, plus any interest accruing as part of the security, less administrative costs. However, if abandoned stock or other securities are sold before the expiration of the three-year holding period by DOR, the owner is entitled to the greater of the market value of the security at the time the claim is made or the proceeds of the sale, less any administrative costs.

Wax and Ceramic Material Exemption.
In 2010, the legislature provided a sales and use tax exemption for wax and ceramic materials used to make molds for creating ferrous and nonferrous investment castings used in industrial applications. The exemption also applies to labor and services used to create wax patterns and ceramic shells for such investment castings. The sales and use tax exemption expires June 30, 2015.

Summary of Bill:

Tax Preferences for Food Processing.
The B&O tax exemptions for food processors are extended from July 1, 2015, to July 1, 2025.

A tax preference performance statement is included. The stated public policy objectives of the act are to create and retain jobs in the food processing industry and to provide tax relief.

Sales and Use Tax Exemption for Eligible Server Equipment Installed in Certain Data Centers.
A sales and use tax exemption is provided for eligible server equipment and eligible power infrastructure located in data centers in which construction commences between July 1, 2015, and July 1, 2025. Eligible server equipment affected by this act is equipment installed in a data center built after July 1, 2015, and includes original server equipment and replacement server equipment. The exemption for replacement server equipment continues for twelve years. Substations do not qualify as eligible power infrastructure.

Data centers built between 2012 and July 1, 2025, can receive a sales tax exemption for replacement servers for twelve years instead of eight.

Qualifying data centers are limited to eight from July 1, 2015, to July 1, 2019, and no more than 12 until July 1, 2025, on a first-come, first-served basis.

Buildings that are constructed on or after July 1, 2015, must be a fully enclosed structure with concrete, masonry, or weather-resistant exterior walls and must meet state building code.

Incentives for Investments in Washington State Job Creation and Economic Development.
The Invest in Washington pilot program is established to evaluate the effectiveness of providing a tax incentive for businesses that invest in manufacturing facilities and equipment and reinvest those tax savings in employee training programs. The pilot program consists of up to five qualified industrial facilities, of which at least two must be located in eastern Washington. An eligible investment project includes up to $10 million in sales and use tax on construction costs or purchases of qualified machinery and equipment. Amounts paid for the construction of qualified buildings, machinery, and equipment are eligible for a sales and use tax deferral. To qualify for the deferral, the person must apply to the DOR before beginning construction of the investment or acquisition of the equipment or machinery. The DOR must award deferrals to qualifying applicants on a first-in-time basis. The recipient of the deferral must begin repaying the deferred taxes five years after the date that the project is complete. There is no interest charged on deferred taxes, and the taxes may be repaid over a ten-year period in equal annual payments.

Deferred taxes, when repaid, are deposited in the newly created Invest in Washington Account. The Invest in Washington Account, administered by the State Board for Community and Technical Colleges, must be used to support customized job training programs, job skills programs, job readiness training, workforce professional development, and to assist employers with state-approved apprenticeship programs for manufacturing and production occupations. The DOR must notify the State Treasurer by June 1, 2016, and annually thereafter, the amount of repaid deferred taxes contributed to the Invest in Washington Account.

The JLARC must measure the effectiveness of the credit for creating or retaining jobs and providing funding for job training.

Tax Preferences for Aluminum Smelters.
The aluminum industry tax preferences that are set to expire in 2017 are extended for ten years to 2027.

A tax preference statement is included that directs JLARC to measure the effectiveness of the exemption in preserving employment positions within the industry by evaluating the change in the number of aluminum industry employment positions in Washington State.

Newspaper Tax Preference.
Both the electronic version of a newspaper and the newspaper will be subject to the B&O tax at the rate of 0.35 percent. If the subscription revenue for the electronic version of a newspaper exceeds that of the traditional revenue, the newspaper will be taxed at the rate of .471 percent for subscriptions and 1.5 percent for advertising.

Public Utility Tax for Log Transportation Businesses.
The PUT rate is permanently reduced from 1.926 percent to 1.3696 percent on the hauling of logs over public highways.

The hauling of logs over private roads is subject to the B&O tax under the service and other activities classification. The taxation of the transportation of logs that occur exclusively over private roads is not affected.

Nonresident Vessel Permits and Taxation.
The availability of use permits for purposes of vessel sales and use taxation is extended to nonresident business entities, e.g. corporations, limited liability companies, partnerships, etc. There is a limit of 20 permits available in a calendar year given out on a first-come, first-served basis. Vessel dealers may not issue a use permit to a nonresident who is not an individual. In addition, acceptable documentation requirements for a nonresident business entity to qualify for the use permit are established.

A nonresident business entity owning a vessel may obtain a vessel permit allowing the vessel to remain in Washington for up to six months. Only 20 nonresident vessel permits may be given in a calendar year.

Distribution and Use of Aircraft Excise Taxes.
All of the annual aircraft excise tax is deposited into the aeronautics account to be used for state grants to airports and to cover administrative expenses associated with grant execution and collection of the aircraft excise tax.

Business and Occupation Tax Credit for Businesses That Hire Veterans.
PUT or B&O tax credits are provided to businesses that provide positions to qualified employees. A qualified employee is an unemployed veteran who is employed in a permanent full-time position for at least two consecutive full calendar quarters. Full time is a normal work week of at least 35 hours per week. A veteran is a person who has received a general discharge under honorable conditions, including a discharge for medical reasons with an honorable record, or is currently serving honorably; and who has served as a member in any branch of the armed forces, including the National Guard and armed forces reserves.

Unemployed means that the veteran was unemployed for at least 30 days immediately preceding the date on which the veteran was hired by the person claiming the credit. The credit is equal to 20 percent of wages and benefits paid up to a maximum of $1,500 for each qualified employment position filled by an unemployed veteran. The credits are available on a first-in-time basis not to exceed $500,000 in any fiscal year. Credits disallowed in one year can be carried over to the next fiscal year. Priority is given to credits carried over from a previous fiscal year.

Credits may be earned for tax reporting periods through June 30, 2021, and no credits may be claimed after June 30, 2022.

Tax preference credits are intended to induce employers to hire and create jobs for unemployed veterans. The JLARC must review the new credits by December 31, 2021. If, in its review, it finds that the number of unemployed veterans has decreased by 30 percent, then the Legislature intends to extend the expiration date of the credits.

Honey Bee Products and Services as an Agricultural Product.
The definitions of agricultural product and farmer are amended to include apiarists and honey bee products. Therefore, the tax exemptions provided to agricultural products and farmers are extended to apiarists and honey bee products and are intended to be permanent. By modifying these definitions, the temporary, industry-specific, honey bee tax exemptions become redundant. This act repeals those redundant tax exemptions. The coinciding evaluation by the JLARC is also repealed.

Use Tax Relief for Individuals Who Support Charitable Activities.
Those who purchase or receive as a prize an article of personal property from a nonprofit organization or library for a fundraising activity do not owe use tax, regardless of the value of the property. This tax exemption is permanent.

Hazardous Substance Tax Exemption for Certain Hazardous Substances.
An exemption from the hazardous substance tax imposed under MCTA is created. It applies to the possession of an agricultural crop protection product when that possession is solely for use by a farmer or certified pesticide applicator and the product is warehoused in Washington or transported to or from Washington. To qualify for this exemption, the person possessing the product may not use, repackage, manufacture, or sell the product in Washington.

Taxation of Certain Rented Property Owned by Nonprofit Fair Associations.
The exception for property purchased or acquired by the nonprofit fair association from a county or a city between 1995 and 1998 does not expire after 2018. If any portion of the property is knowingly rented for more than 50 days, the exemption still applies but the rental income is subject to leasehold excise tax.

The Administration of Unclaimed Property.
The penalty provisions of the Act are restructured. The current 100 percent penalty for willful failure to file a report or provide notice to apparent property owners is replaced with the following penalties:

- 10 percent for failure to file a report or pay or deliver property under a report; and

- 10 percent assessment penalty with an additional 5 percent penalty if the assessment is not paid by the due date.

Gift certificates presumed abandoned and compliant with the gift certificate laws do not need to be reported as unclaimed property.

DOR may publish notice to apparent owners of unclaimed property on the online version of a printed newspaper of general circulation.

Enforcement action on assessments is subject to a three-year statute of limitation.

Holders must file reports of lost property and remit funds to DOR electronically beginning July 1, 2016. DOR may waive this requirement for good cause, which is defined as a circumstance or condition that prevents the holder from electronically filing reports or remitting payments, or a DOR determination that relief from the electronic filing requirement supports the efficient or effective administration of the Act.

A refund process is established allowing holders to reacquire erroneously reported and delivered property, subject to a six-year limitation period. A review and appeal process is established, including appeal rights to Thurston County Superior Court, for assessments or denials for a refund or the return of property. DOR may waive or cancel delinquent penalties and interest under certain circumstances.

All unclaimed amounts and property identified in any assessment issued by DOR must be paid or delivered within 30 days of issuance. If a petition for review of an assessment is filed and received in writing by DOR before the due date of the assessment, only the uncontested amounts and property must be paid or delivered to the department within 30 days of issuance.

DOR's authority to enter into settlement agreements with holders is clarified.

Information obtained during examinations is confidential, except as necessary for the administration of the Act.

Wax and Ceramic Material Exemption.
The expiration date for the sales and use tax exemption for wax, ceramic materials, and labor related to the creation of investment castings used in industrial applications is eliminated. The tax preference performance statement categorizes the tax preference as one intended to reduce a structural inefficiency and exempts this tax preference from the mandatory expiration date or a joint legislative audit and review committee analysis.

Appropriation: None.

Fiscal Note: Not requested.

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) None.

(Opposed) None.

Persons Testifying: None.

Persons Signed In To Testify But Not Testifying: None.