
Finance Committee

HB 1423

Brief Description: Concerning the excise taxation of personal and alcohol monitoring devices and services.

Sponsors: Representatives Shea, Goodman, McCaslin, Taylor and Volz.

Brief Summary of Bill

- Exempts personal and alcohol monitoring devices from sales and use taxes.
- Exempts personal and alcohol monitoring devices and remote monitoring services from business and occupation taxes.
- Directs that the established exemptions are applied retroactively.

Hearing Date: 1/27/17

Staff: Rachelle Harris (786-7137).

Background:

Sales and Use Tax.

Retail sales taxes are imposed on sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer of the property or service. If retail sales taxes were not collected when the consumer acquired the property or service, then use taxes apply to the value thereof 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, while local sales and use tax rates vary from 0.5 percent to 3.1 percent.

Business and Occupation Tax.

The Business and Occupation (B&O) tax is Washington's primary tax on business. The B&O tax is imposed on the gross receipts of business activities conducted within the state, allowing no deduction for the costs of doing business. B&O tax rates vary depending on the type of business and type of activities conducted. Major tax rates are 0.471 percent for retailing, 0.484 percent

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for manufacturing, wholesaling, and extracting, and 1.5 percent for services and other activities not otherwise classified.

Tax Preferences.

Washington law provides for a variety of tax preferences, including exemptions, deductions, credits, and preferential rates. In the case of B&O tax, tax credits provide a dollar-for-dollar offset against tax liability for a business.

Alcohol and Personal Monitoring Devices.

An alcohol monitoring device is a device used to monitor alcohol consumption or presence of alcohol in a person's blood. In Washington, alcohol monitoring devices are sometimes used in the criminal justice context as part of pre-trial supervision, a court-ordered condition of a sentence, or for other purposes. Personal monitoring devices are devices used to track the location of an individual. These devices may also be used to monitor defendants or offenders in the criminal justice context.

Summary of Bill:

A sales and use tax exemption is provided for alcohol monitoring devices and any associated equipment necessary for the device to perform properly, and for personal monitoring devices. A B&O tax exemption is provided for alcohol monitoring devices, personal monitoring devices, and remote monitoring services. The exemptions apply to sale or use of the devices on or after July 1, 2017, as well as retroactively for any assessed taxes prior to July 1, 2017.

Appropriation: None.

Fiscal Note: Requested on January 19, 2017.

Effective Date: The bill takes effect on July 1, 2017.