
Finance Committee

HB 1271

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

Sponsors: Representatives Shea, Goodman and McCaslin.

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: 2/25/19

Staff: Rachelle Harris (786-7137).

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 tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities 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 3.9 percent, depending on the location.

Business and Occupation Tax.

Washington's major business tax is the business and occupation (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. Businesses must pay the B&O tax even though they may not have any profits or may be operating at a loss. A taxpayer may have more than one B&O

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tax rate, depending on the types of activities conducted. Major B&O tax rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent for services and for activities not classified elsewhere. Several preferential rates also apply to specific business activities.

Tax Preferences.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

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. Monitoring agencies are private or public entities that electronically monitor an individual pursuant to an electronic monitoring or home detention program.

Summary of Bill:

A sales and use tax exemption is provided for the sale of remote monitoring services, personal monitoring devices, and alcohol monitoring devices by a monitoring agency. A B&O tax exemption is provided for amounts received by a monitoring agency from the provision of remote monitoring services, personal monitoring devices, and alcohol monitoring devices.

The bill applies prospectively as well as retroactively for any taxpayer who has been assessed taxes by the Department of Revenue prior to July 1, 2019, on devices or services exempted by the bill.

The bill is exempted from TPPS requirements, the 10 year expiration of tax preferences, and the JLARC review.

Appropriation: None.

Fiscal Note: Requested on January 18, 2019.

Effective Date: The bill takes effect on July 1, 2019.