

SENATE BILL REPORT

SB 5325

As of January 26, 2019

Title: An act relating to exempting certain standard financial information purchased by investment management companies from sales and use tax in order to improve industry competitiveness.

Brief Description: Exempting certain standard financial information purchased by investment management companies from sales and use tax in order to improve industry competitiveness.

Sponsors: Senators Liias, Braun, Mullet, Palumbo, Brown, Rivers and Warnick.

Brief History:

Committee Activity: Financial Institutions, Economic Development & Trade: 1/24/19.

Brief Summary of Bill

- Expands retail sales and use tax exemption on the sale of Standard Financial Information (SFI) to Qualifying International Investment Management Companies (QIIMC) and QIIMC affiliates.
- Changes expiration of the retail sales and use tax exemption on SFI to July 1, 2031.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, ECONOMIC DEVELOPMENT & TRADE

Staff: Kellee Gunn (786-7429)

Background: In 2013, the Legislature established a retail sales and use tax exemption on the sale of Standard Financial Information (SFI) to Qualifying International Investment Management Companies (QIIMC). SFI is defined as financial data, facts or information, or financial information services that are developed for more than one single customer. SFI includes, but is not limited to, financial market data, bond ratings, credit ratings, and deposit, loan, or mortgage reports.

A QIIMC is defined as a person who is primarily engaged in the business of providing investment management services with at least 10 percent of the gross income derived from providing investment management services to certain persons or collective investment funds.

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.

The 10 percent gross income must come from persons or collective investment funds residing outside of the United States, or collective investment funds with at least 10 percent of their investments positioned outside of the United States. The amount of deductible purchases are limited to \$15 million per year.

The SFI may be provided in hard copy, in a storage medium, or as a digital product transferred electronically. To receive the tax exemption the seller must obtain an exemption certificate from the buyer or maintain relevant data of sale as authorized by the Streamlined Sales and Use Tax Agreement (SSUTA). This exemption expires July 1, 2021.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Proposed Substitute): The retail sales and use tax exemption on the sale of SFI is expanded to the sale of SFI to a QIIMC and QIIMC affiliates.

The expiration of the exemption is extended from July 1, 2021 to July 1, 2031.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Proposed Substitute: PRO: This bill is about supporting a homegrown industry in Washington, led by the Russell Company. These companies transmit financial information for pension plans on behalf of local and state governments, and major companies. In 2013, the state Legislature clarified that they did not want to tax these companies. This extends that current tax exemption. No other state taxes this information and taxing it puts Washington State firms at a disadvantage.

Persons Testifying: PRO: Senator Marko Liias, Prime Sponsor; Erik Strom, Russell Investments; Leanne Webber, Russell Investments.

Persons Signed In To Testify But Not Testifying: No one.