

# SENATE BILL REPORT

## SB 5325

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As Reported by Senate Committee On:  
Financial Institutions, Economic Development & Trade, January 31, 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, 1/31/19 [DPS-WM, w/oRec].

**Brief Summary of First Substitute 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.

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**SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, ECONOMIC DEVELOPMENT & TRADE**

**Majority Report:** That Substitute Senate Bill No. 5325 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Mullet, Chair; Wilson, L., Ranking Member; Braun, Das and Hobbs.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Hasegawa, Vice Chair.

**Staff:** Kellee Gunn (786-7429)

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*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.*

**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. 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 (First Substitute):** The retail sales and use tax exemption on the sale of SFI is expanded to the sale of SFI to QIIMC and QIIMC affiliates.

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

**EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS, ECONOMIC DEVELOPMENT & TRADE COMMITTEE (First Substitute):**

- Defines affiliate.

**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:** *The committee recommended a different version of the bill than what was heard.* 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 Legislature clarified 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 Lias, Prime Sponsor; Erik Strom, Russell Investments; Leanne Webber, Russell Investments.

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