

FINAL BILL REPORT

ESSB 5251

C 145 L 21

Synopsis as Enacted

Brief Description: Modifying tax and revenue laws in a manner that is not estimated to affect state or local tax collections, by easing compliance burdens for taxpayers, clarifying ambiguities, making technical corrections, and providing administrative efficiencies.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Schoesler, Brown, Dozier, Gildon, Honeyford, King and Rolfes).

Senate Committee on Ways & Means
House Committee on Finance

Background: Technical revisions to the Revised Code of Washington (RCW) may be required for multiple reasons. Sections of the RCW may be repealed, recodified, or amended in a way changing their internal or statutory numbering or terminology. The language in these sections, as well as references to these sections in other provisions of the RCW, then become incorrect. Statutes may become obsolete with the passage of time, evolution of technology, improvement of administrative processes, or adoption of state or federal legislation. Administrative agencies occasionally suggest statutory revisions for the purpose of increasing clarity or improving administration.

Summary: The following administrative changes, technical corrections, and statutory clarifications are made:

- changes the due date of the public utility district (PUD) privilege tax by providing an additional month for PUDs to report and pay the tax, and allows for monthly distributions of PUD privilege tax receipts to local governments;
- updates out-of-date references to school district “maintenance and operation special levies” with “enrichment levies”;
- clarifies that the term “services rendered in respect to” applies to both the business and occupation (B&O) tax and the sales tax;
- clarifies that when an out-of-state business re-establishes nexus with Washington for B&O tax purposes after the beginning of a calendar year, the taxpayer is liable for B&O tax beginning on the date the business reestablished nexus, rather than for the

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- entire calendar year;
- eliminates one of two provisions that trigger the repayment of a portion of taxes saved by claiming the preferential B&O tax rate for manufacturing semiconductor materials;
 - clarifies recent changes to the preferential B&O tax rate for travel agents and tour operators in that the thresholds for obtaining the preferential tax rate is based on the taxpayer's taxable income for the prior calendar year from its travel agent or tour operator business activities;
 - amends the statute imposing a B&O tax surcharge to provide funds for the forest and fish support account so the various time periods for suspension of the surcharge all end on the last day of a fiscal year;
 - amends the statute imposing B&O tax on royalties to clarify the tax rate is 1.5 percent;
 - removes an erroneous reference to the term "referrer" that no longer exists after the passage of legislation in 2019;
 - updates the definition of "biofuel" for the sales tax exemption for hog fuel by removing an outdated definition obtained by way of a cross reference to a statute that no longer exists;
 - clarifies that the effective date of the sales tax exemption for certain clean alternative fuel and electric vehicles is August 1, 2019;
 - amends a local sales and use tax exemption for qualifying commercial office space projects to clarify the exemption applies to the local sales and use taxes imposed by the city that approved the project for a refund and for any other local taxing authorities that have agreed to allow their sales and use taxes to be refunded, and requires such cities to notify the Department of Revenue (DOR) within 60 days of project approval;
 - changes the frequency of distributions of local leasehold excise tax from bimonthly to monthly, which aligns with the distribution frequency for local sales and use taxes;
 - clarifies that taxpayers need not report employee benefit information on the annual tax performance report;
 - clarifies that the automatic 10-year expiration date for new tax preferences applies to a local tax preference that is a companion to a state tax preference;
 - eliminates obsolete statutory language authorizing an amnesty program for personal property tax penalties for assessment years prior to 2012;
 - modifies the definition of inflation for calculating school district enrichment levies to allow the county assessor to timely certify the tax roll to the county treasurer;
 - clarifies that inflation adjustment to the income thresholds for the senior citizen and disabled persons property tax exemption will be modified by the seasonally adjusted Consumer Price Index for All Urban Consumers (CPI-U);
 - repeals a duplicate vapor products tax credit statute; and
 - makes other technical corrections necessary to update cross references or conform to relevant statutes.

Disclosure of Confidential Taxpayer Information. DOR may disclose otherwise

confidential taxpayer information in the following limited circumstances:

- in response to a federal grand jury subpoena, or a subpoena issued by a United States attorney; or
- in response to a request for the tax information of a defunct or insolvent entity by an individual against whom DOR has made an assessment for the entity's collected by unpaid trust fund taxes.

Votes on Final Passage:

Senate	49	0
House	97	0

Effective: July 25, 2021