

HOUSE BILL REPORT

SB 6215

As Passed House:

March 1, 2024

Title: An act relating to improving tax and revenue laws in a manner that is not estimated to affect state or local tax collections as reflected on any fiscal note for this act, including provisions easing compliance burdens for taxpayers, clarifying ambiguities, making technical corrections, and providing administrative efficiencies.

Brief Description: Improving tax and revenue laws.

Sponsors: Senators Schoesler, Robinson and Mullet.

Brief History:

Committee Activity:

Finance: 2/20/24, 2/23/24 [DP].

Floor Activity:

Passed House: 3/1/24, 96-0.

Brief Summary of Bill

- Makes several administrative and technical changes to state tax and licensing codes.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 13 members: Representatives Berg, Chair; Street, Vice Chair; Orcutt, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Barnard, Chopp, Ramel, Santos, Springer, Thai, Walen, Wilcox and Wylie.

Staff: Kristina King (786-7190).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Each year, the Department of Revenue (DOR) identifies technical and administrative changes to the tax and licensing sections of the Revised Code of Washington (RCW) for consideration by the Legislature. Technical revisions to state law 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 Sections of the RCW may be repealed, recodified, or amended in a way changing their internal or statutory numbering or terminology.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 to increase clarity or improve administration. This bill addresses the DOR's recommendations.

Basic Education Compensation Allocations.

Beginning with the 2023-24 school year, and every four years thereafter, the Legislature must review and rebase salary allocation for certain school district staff to ensure that salary allocations reflect market rates, and that regionalization reflects actual economic differences among districts. To aid the Legislature in reviewing and rebasing regionalization factors, the DOR must determine the median single-family residential value of each school district, as well as the median value of proximate districts within 15 miles of the boundary of the school district for which the median residential value is being calculated. The information must be provided to the Legislature every four years by November 1.

Business and Occupation Tax Exemption for Printing and Publishing Newspapers.

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. The B&O tax rate varies by classification or activity.

In 2023 the Legislature replaced the preferential B&O tax rate of 0.35 percent for printing and publishing newspapers, including certain digital content, with a 10-year B&O tax exemption expiring January 1, 2034.

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 4 percent, depending on the location.

Reseller Permits.

Retail sales tax is not collected on wholesale purchases because the purchaser is generally not the final consumer. Businesses making wholesale purchases must obtain a reseller

permit. The permits allow businesses to purchase items or services for resale without paying sales tax.

Motor Vehicle Use Tax Exemption for Members of the Armed Services.

Use tax does not apply to motor vehicles and trailers purchased by an active-duty member of the United States Armed Services who is a resident of Washington but purchased the vehicle while stationed outside of the state pursuant to military orders. The exemption does not apply to members of the United States Armed Services called to active duty for training purposes for periods of less than six months or purchases of motor vehicles 30 days prior to discharge or release from activity duty.

Local Real Estate Excise Tax.

Local governments may impose a local real estate excise tax (REET). The local REET is assessed at a fixed rate and, unlike the state REET, does not vary depending on the selling price of the real estate. Tax rates vary by taxing district with most local jurisdictions imposing the REET at a rate of 0.25 or 0.5 percent of the selling price. State REET exemptions apply to the local REET.

Business Licensing Service.

The DOR maintains a portal to the state's business licensing program called the Business Licensing Service (BLS). The BLS is the state clearinghouse for business licensing. The system allows a business customer to file a business license application and annual renewals, check on the status of a business account, view and pay any outstanding fees, and update account information. The BLS is used by several cities, counties, and state agencies for the issuance of various types of business licenses and endorsements. Under current law, certain specified state agencies are required to provide to the DOR information about business licenses issued by the agency. The DOR must use that information to compile and submit an aggregate report to the Governor and the economic development committees of the Legislature by January 1 of each year.

Summary of Bill:

Basic Education Compensation Allocations.

The requirement that the DOR provide to the Legislature the median single-family residential value of each school district is clarified so that such information is in addition to the median single-family residential value of school districts within 15 miles of the boundary of that school district every four years.

Business and Occupation Tax Exemption for Printing and Publishing Newspapers.

An erroneous word is corrected from "the" to "than" in the definition of "primarily" as it relates to the B&O tax exemption for newspapers and retains the January 1, 2034, expiration date.

Sales and Use Tax Reseller Permits.

An outdated reference for administration of reseller permit renewal periods that occurred prior to July 1, 2013, is removed. The definition of "contractor" is modified to align with changes made to the definition of "plumbing contractor" in licensing statutes not administered by the DOR.

Motor Vehicle Use Tax Exemption for Members of the Armed Services.

The motor vehicle use tax exemption for members of the United States Armed Services is clarified such that a military service member stationed outside of Washington must also reside outside of Washington to qualify for the use tax exemption for motor vehicles and trailers.

Local Real Estate Excise Tax.

A new section is created that adds language to the local REET statutes to clarify that the local REET must comply with all applicable rules, definitions, regulations, laws, and court decisions regarding the state REETs, unless context clearly indicates otherwise.

Business Licensing Service.

The requirement for certain agencies to provide the DOR with information about business licenses issued by each participating agency and the requirement for the DOR to compile such information and submit an aggregate report to the Governor and the Legislature are removed.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This is the annual DOR technical corrections bill. This is the result of a collaboration between stakeholders over the interim. These are small changes and fixes that need to be made to the tax statutes that are fiscal and policy neutral. This bill makes the statutes easier to understand, assists the DOR with tax administration, and clarifies the intent of the Legislature.

(Opposed) None.

Persons Testifying: Steve Ewing, Department of Revenue; and Emily Shay, Association of Washington Business.

Persons Signed In To Testify But Not Testifying: None.