

FINAL BILL REPORT

SSB 5565

PARTIAL VETO C 374 L 23

Synopsis as Enacted

Brief Description: Modifying tax and revenue laws by making technical corrections, clarifying ambiguities, easing compliance burdens for taxpayers, and providing administrative efficiencies.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Schoesler, Rolfes, Dozier, Nobles and Wellman).

Senate Committee on Ways & Means
House Committee on Finance

Background: Each year, the Department of Revenue (DOR) identifies technical and administrative changes to the tax and licensing sections in 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 Sections of the RCW may be repealed, recodified, or amended in a way changing their internal or statutory numbering or terminology.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.

Revised Uniform Unclaimed Property Act. In 2022, the Legislature made a number of changes to the Uniform Unclaimed Property Act. The Revised Uniform Unclaimed Property Act (RUUPA) took effect January 1, 2023. Changes address programmatic coverage, dormancy, and other specifics for new types of intangible property, including new types of investment vehicles, as well as changes in technology.

Tax Preferences. All new tax preference legislation is required to include a tax preference performance statement. The performance statement must clearly specify the public policy objectives of the tax preference, and the specific metrics and data that will be used by the

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.

Joint Legislative Audit and Review Committee to evaluate the efficacy of the tax preference. An automatic ten-year expiration date is applied to new tax preferences if an alternate expiration date is not provided in the new tax preference legislation.

Businesses claiming certain tax preferences must file an annual tax preference performance report with DOR. The report contains the dollar value of the tax preference claimed in addition to employee wage and benefit data.

Motion Picture Competitiveness Program Business and Occupation Tax Credit. Persons who make a cash contribution to an approved Motion Picture Competitive Program, such as to Washington Filmworks, can claim a B&O tax credit. The credit is for 100 percent of the contribution, not to exceed \$1 million per calendar year. Total credits may not exceed a statewide cap of \$15 million each calendar year. The credit program expires June 30, 2030.

Working Families Tax Credit Program. The Working Families Tax Credit is a credit in the form of a refund of sales and use tax that is provided to eligible low-income individuals. The credit is based in part on the federal Earned Income Tax Credit. To be eligible, individuals must qualify for the earned income credit and have lived in Washington for over half the year. The credit amount varies depending on the number of qualifying children and income level. The maximum credit amounts range from \$300 to \$1,200. These amounts are then reduced based on income thresholds. The minimum credit amount is \$50, regardless of the number of qualifying children.

Use Tax. Use tax is a tax on the use of goods or certain services in Washington when sales tax has not been paid. Goods used in this state are subject to either sales or use tax, but not both. Use tax is determined on the value of the goods sourced to Washington. Generally, this is the purchase price, which includes any freight, delivery, or shipping charges paid to the seller.

Main Street Tax Credit. The Main Street tax credit incentive program provides a B&O or public utility tax credit for private contributions given to eligible downtown organizations. The tax credit is for 50 to 100 percent of the contribution made to designated main street communities or the Main Street Trust Fund. DOR may not approve credits for contributions made to a program that is located in a city or town with a population above 190,000.

Enhanced Food Fish Tax. This is a tax on who first commercially possesses certain fish within the state. The tax is calculated by the value of the fish when first landed at a rate that varies depending on the species of the fish. The tax also applies to byproducts and parts of seafood.

Summary: Motion Picture Competitiveness Program Business and Occupation Tax Credit. The requirement that claimants of the motion picture B&O tax credit file an annual tax

preference performance report is removed.

Working Families Tax Credit Program. The Working Families Tax Credit payment amount is \$50 when the payment is calculated at greater than zero but less than one cent, as is consistent with the statutory minimum payment under the credit program.

Main Street Tax Credit. The Main Street Tax Credit population threshold is determined at the time of a local government’s designation as a Main Street Community.

Other Clarifications and Technical Corrections. The following administrative changes, technical corrections, and statutory clarifications are made:

- replaces outdated references to the repealed Uniform Unclaimed Property Act with references to RUUPA.
- removes the requirement that DOR continue reporting annually on the progress of its efforts to partner with all cities that impose a general business license beyond the January 1, 2023, report, as this work was completed in 2022;
- clarifies that the Legislature intends for state sales and use tax exemptions to apply to local sales and use taxes in an identical manner unless explicitly stated otherwise;
- clarifies that repayment of deferred taxes under the Rural County Investment Program only happens if a project ceases to meet the requirements of the deferral;
- clarifies that the enhanced food fish tax addendum is due at the same time as the combined excise tax return;
- clarifies that the \$125,00 tax return filing relief threshold is based on the business's annual value of products, gross proceeds of sales, and gross income of the business, from all business activities subject to the B&O tax; and
- repeals certain other outdated, expired, erroneous, or redundant provisions, cross-references, and statutes.

Votes on Final Passage:

Senate	47	0	
House	96	0	(House amended)
Senate	48	0	(Senate concurred)

Effective: July 23, 2023

Partial Veto Summary:

- Removes a number of sections that are duplicated in other bills passed by the Legislature in the 2023 session.