
Finance Committee

HB 1981

Brief Description: Concerning the excise taxation of electronically delivered financial information.

Sponsors: Representatives Hunter, Conway, Orcutt, Anderson, Santos, Kessler, Jarrett, Condotta and McIntire.

Brief Summary of Bill

- Provides a sales and use tax exemption for electronically delivered financial information.

Hearing Date: 2/16/07

Staff: Jeff Mitchell (786-7139).

Background:

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services. Use taxes apply to the value of most tangible personal property and some services when used in this state, if retail sales taxes were not collected when the property or services were acquired by the user. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 2.4 percent, depending on the location. The average local tax rate is 2.0 percent, for an average combined state and local tax rate of 8.5 percent.

The definition of tangible personal property includes electricity and prewritten computer software. Electronically delivered digital goods, such as music, video, and standard data files, are also considered tangible personal property and are subject to retail sales or use tax.

Retail sales and use taxation of software and electronically delivered information depends upon whether the subject of the sale is primarily a service or a product. For example, charges for custom program development or custom information development for a specific user, are considered a service and not subject to retail sales tax. The sale of standard information or prewritten computer software, not created for a single person, are treated as retail sales.

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Manufacturing embraces all activities of a commercial nature that apply labor, skill, or materials, or any combination of these, to create a new product. However, the production of computer software is excluded from the definition of manufacturing if the software is delivered electronically.

Summary of Bill:

Electronically delivered standard financial information is exempted from retail sales and use taxes. Standard financial information is financial data or facts not generated for a specific customer. Examples include financial market data, bond ratings, credit ratings, and deposit, loan, or mortgage reports.

The exclusion of electronically delivered computer software from the definition of manufacturing is expanded to include all types of electronically delivered digital goods.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on August 1, 2007.