

FINAL BILL REPORT

E2SHB 1597

C 106 L 10
Synopsis as Enacted

Brief Description: Improving the administration of state and local tax programs without impacting tax collections by providing greater consistency in numerous tax incentive programs, revising provisions relating to the confidentiality and disclosure of tax information, and amending statutes to improve clarity and consistency, eliminate obsolete provisions, and simplify administration.

Sponsors: House Committee on Finance (originally sponsored by Representatives Springer and Hunter; by request of Department of Revenue).

House Committee on Finance
Senate Committee on Ways & Means

Background:

Confidential Taxpayer Information.

The Department of Revenue (DOR) is prohibited from disclosing excise tax returns or tax information about specific taxpayers to unauthorized persons. Circumstances under which documents may be disclosed are enumerated in statute. Generally all excise tax information is confidential and may not be disclosed to the public without the taxpayer's permission or other statutory authorization.

Property Tax.

All real and personal property in Washington is subject to property tax, unless a specific exemption is provided by law. In general, the property tax is administered on a local level by county assessors, who assess property for tax purposes, and county treasurers, who are responsible for collection of the property tax. However, the DOR is responsible for the general supervision and control over the administration of property tax.

Technical Corrections and Clarifications.

Legislation frequently includes statutory references to tie new laws or amendments to existing definitions or related statutory provisions. If changes are subsequently made to these statutes, the references may become incorrect. Also when statutes include provisions tied to expiration dates, they may later become obsolete for purposes of any statutory references.

Summary:

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.

Various tax laws are amended as summarized below. In addition to these changes, technical corrections are made to various provisions related to excise, estate, and property tax laws.

These changes include:

- correcting drafting errors, structural problems such as RCW strings that are not in numeric order, inaccurate references to terms that have been changed, and inaccurate cross-references;
- adding or modifying language to clarify statutory provisions; and
- repealing several obsolete provisions of code.

Part One - Confidentiality.

Various statutes are modified that relate to confidentiality of tax information. Miscellaneous changes to tax returns and tax information include:

- adding the estate tax to the list of confidential tax returns; and
- authorizing cities to make taxpayer information for municipal business and occupation (B&O) taxes confidential.

The DOR is authorized to disclose:

- tax information to the Streamlined Sales Tax Governing Board and member states for purposes of conducting sales tax audits, and auditing certified service providers, or certified automated systems providers;
- estate tax information to a person against whom the DOR has asserted estate tax;
- limited real estate excise tax (REET) information to filed REET affidavits; and
- names of taxpayers with unpaid tax warrants (by removing the current \$5,000 threshold).

Part Two - Clarifications.

Various substantive changes are made, and several drafting ambiguities and statutory references are clarified. Substantive changes include:

- expanding the B&O tax exemption for fundraising sales to include public libraries;
- allowing non-residents to use a uniform streamline sales tax agreement exemption certificate to qualify for sales tax exemption;
- changing the diesel fuel exemption for farmers from non-highway uses to agricultural purposes;
- allowing utility-owned community solar electrical projects to participate in public utility tax credits for renewable energy system cost recovery;
- requiring enhanced food fish taxpayers to file returns electronically;
- allowing sellers of advertising and promotional direct mail to source in-state sales to the place the mail was delivered or the location of the printer; and
- changing the responsibility to administer any local fuel taxes from the Department of Licensing to the DOR.

The section clarifies:

- that vending-machine sales of soft drinks and dietary supplements are taxed on 100 percent of the gross sales;
- the estate tax deduction for property used for farming by eliminating redundant language about tangible personal property in unrelated subsections;

- that the motor vehicle fuel tax and the special fuel tax do not pre-empt other state taxes, such as the B&O tax, on the business of manufacturing, selling, or distributing motor vehicle fuel; and
- that sellers are not required to collect use tax from purchasers on sales that are exempt from sales tax but not use tax.

Part Three - Property Tax.

Various property tax statutes are modified that deal with or affect administering the property tax laws of the state. The transfer of property is allowed to a surviving domestic partner without triggering the higher farm income thresholds in the farm and agricultural current use program. Duplicate audits of the low-income property tax deferral program by the Joint Legislative Audit and Review Committee are eliminated and the reporting is made consistent with the review of tax preferences schedule, and the requirement for county assessors to furnish the State Auditor with an abstract of the tax rolls is eliminated. Two reference dates to federal law are made the same within the senior property tax relief law, and the DOR is allowed to update the reference by rule in a way that is consistent with the purpose.

The time period for exemption renewal is extended under the senior property tax relief program from four to six years. Recovery of back taxes is also allowed for up to five years if an exemption was based on erroneous information. The special assessments eligible for deferral under the low-income property tax deferral program are limited to those that are listed on the annual property tax statement.

In addition, the requirement is removed that the county legislative authority levy taxes "at its October session," making the law consistent with another law that states counties have until November 30 to certify their levy to the county assessor, and language is repealed that adjusts the 1 percent limit calculation for a now unused tax increment financing law. Finally, a property tax exemption is provided for property leased to a county hospital, and child day care center is defined for property tax exemptions.

Part Four - Miscellaneous.

Several miscellaneous provisions such as severability clauses, application date clauses, effective and expiration dates, and codification directions are amended.

Votes on Final Passage:

House	59	37
House	98	0
Senate	48	0

Effective: July 1, 2010
 January 1, 2011 (Section 212)
 January 1, 2014 (Section 236)