HOUSE BILL REPORT
ESHB 1913

As Passed House:
March 14, 1995

Title: An act relating to taxation of equipment and services used by film and video production companies.

Brief Description: Providing sales and use tax exemptions for film and video production companies.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Van Luven, Sheldon and Smith).

Brief History:
Committee Activity:
Finance: 2/27/95, 3/6/95 [DPS].
Floor Activity:
Passed House: 3/14/95, 96-2.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives B. Thomas, Chairman; Boldt, Vice Chairman; Carrell, Vice Chairman; Dickerson, Assistant Ranking Minority Member; Hymes; Mason; Mulliken; Schoesler; Sheldon and Van Luven.

Minority Report: Do not pass. Signed by 2 members: Representatives Morris, Ranking Minority Member; and Pennington.

Staff: Bob Longman (786-7139)

Background: The state retail sales tax is imposed on retail sales of most items of tangible personal property and some services. The retail sales tax is also imposed on the rental of tangible personal property. The sales tax is paid by the purchaser and collected by the seller. The state sales tax rate is 6.5 percent of the selling price. Local governments may levy additional sales taxes. The total state and local rate varies from 7 percent to 8.2 percent, depending on the location.

The use tax is imposed on the use of articles of tangible personal property when the sale or acquisition of the property has not been subject to sales tax. Use tax is equal to the sales tax rate multiplied by the value of the property used. The use tax commonly applies in respect to property acquired from out of state.

The use tax also applies to the use of tangible personal property in this state by nonresident businesses in cases where the sales tax has not already been paid. If property is used in this state by a nonresident business for less than 180 days in a 365-day period, the use tax is based on the reasonable rental value for the period, rather than the full value of the property. The use tax does not apply to services.

Summary of Bill: Production equipment rented to motion picture or video production businesses is exempt from sales and use taxes. Production equipment includes cameras, vans and trucks specifically equipped for motion picture or video production, wardrobe and makeup trailers, special effects and stunt equipment, telepromoters, sound recording equipment, and similar equipment. Production services provided to motion picture or video production businesses are exempt from sales tax, including processing, printing, editing, duplicating, and similar services.

These exemptions are not available to businesses that are engaged in the production of erotic material.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on March 7, 1995.

Effective Date of Bill: The bill contains an emergency clause and takes effect on July 1, 1995.

Testimony For: The movie industry is much more than glamour and movie stars. The industry brings in money, employment and other business. This bill makes this state financially feasible for the industry to use for movie making. Even if the movies are about Washington, the film production is going north to Canada because that country is more friendly to the industry. All other states have offices to encourage movie making. Four billion dollars are spent outside of Los Angeles, and part of that money could come to Washington. Whenever a movie is made, no matter where, the people involved with the production spend hundreds and thousands of dollars, often per day in many sectors of the community.

Testimony Against: None.

Testified: Representative Steve Van Luven, prime sponsor; Richard Woltjer, Washington Motion Picture Council; Rich Fuller, Pacific Grid and Lighting, Inc.; Eugene Mazzola, Motion Picture Industry; and Steven E. Eyrse (AIRS), freelance scenic artist.