

# FINAL BILL REPORT

## SHB 2315

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C 311 L 98

Synopsis as Enacted

**Brief Description:** Making technical corrections to excise and property tax statutes.

**Sponsors:** By House Committee on Finance (originally sponsored by Representatives Thompson, Mulliken, B. Thomas and Dunshee; by request of Department of Revenue).

**House Committee on Finance**  
**Senate Committee on Ways & Means**

**Background:** Some excise and property tax statutes cite specific session laws rather than the codified version of the law in the Revised Code of Washington. Statutes also contain some out-of-sequence references to other statutes and outdated provisions. For example, the Department of Revenue (DOR) no longer issues warrants and orders under an official seal, but statutes still refer to the use of an official seal.

The general business and occupation (B&O) wholesaling tax rate is 0.484 percent, but there are some lower rates. One lower rate is a 0.011 percent B&O wholesaling rate for ten types of agricultural commodities. This lower 0.011 percent rate applies, however, only to commodities that have not been manufactured or processed. The DOR has decided that processing means the same as manufacturing.

A statute enacted in 1997 states that money received from a trust account is not subject to B&O taxes if the account operates in a manner consistent with how mortgage brokers must handle borrowers' money in trust for payment of third party costs. Third party costs are expenses for services such as appraisal and credit check fees. The statute could be interpreted to mean that anyone receiving trust money would owe no B&O taxes. For example, an appraiser might not owe B&O taxes on his or her earnings if payment to the appraiser was made from one of these trust accounts.

Several different types of nonprofit organizations qualify for property tax exemptions. The term "nonprofit" is defined for some of these organizations, but the meaning of nonprofit is ambiguous for others.

**Summary:** Clarification is made that only mortgage brokers are exempt from paying B&O taxes on money received from borrowers and held in trust for payment of third party costs. This clarification applies retroactively to July 27, 1997.

The word, "processed," is deleted from the statute providing a 0.011 percent B&O wholesaling tax rate for certain agricultural commodities that have not been manufactured or processed.

All nonprofit organizations eligible for property tax exemptions are made subject to the same definition of "nonprofit."

References to the use of an official Department of Revenue seal to authenticate warrants, orders, and other documents are deleted.

Other changes made to property and excise tax statutes include:

- references to specific legislative acts are replaced with references to the title or chapter where these acts are codified into law;
- expired statutory provisions are deleted;
- statutory cites are reordered for correct numerical sequence; and
- references to the defunct Interstate Commerce Commission are replaced with references to the Interstate Commerce Commission and its successor agency.

**Votes on Final Passage:**

House 93 0  
Senate 47 0

**Effective:** June 11, 1998