

# SENATE BILL REPORT

## SB 5804

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As Passed Senate, March 13, 1997

**Title:** An act relating to the elimination of the requirement for a study of the property tax exemptions and valuation rules for computer software.

**Brief Description:** Eliminating the requirement for a study of the property tax exemption and valuation rules for computer software.

**Sponsors:** Senators Finkbeiner and West; by request of Department of Revenue.

**Brief History:**

**Committee Activity:** Ways & Means: 2/26/97, 2/27/97 [DP].  
Passed Senate, 3/13/97, 48-0.

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Bauer, Brown, Hochstatter, Long, Loveland, McDonald, Rossi, Schow, Snyder, Spanel, Swecker, Thibaudeau, Winsley and Zarelli.

**Staff:** Terry Wilson (786-7433)

**Background:** All property, both real and personal, is subject to property taxation unless specifically exempt. Personal property includes both tangible and intangible property.

Custom computer software, master or golden copies of software, retained rights in software, and modifications to canned software are exempt from property tax. Embedded software is taxed as part of the computer system or machinery or equipment containing the embedded software. Taxable computer software, except embedded software, is taxed in the first year at 100 percent of acquisition cost, in the second year at 50 percent, and thereafter at zero.

The legislation exempting computer software in 1991 also required the Department of Revenue to form an advisory committee to assist it in studying the computer software exemptions and valuation rules to determine whether they are necessary and appropriate to achieve fairness, equity, and uniformity in the property tax treatment of computer software. The department is to report its findings to the Legislature by November 30, 1998.

**Summary of Bill:** The requirement to study the computer software exemptions and valuation rules is repealed.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** The follow up study was not recommended by the original advisory group. The other option is to request funding to conduct the study.

**Testimony Against:** None.

**Testified:** Will Rice, Department of Revenue (pro)