

SENATE BILL REPORT

SB 6266

As of January 30, 2008

Title: An act relating to the excise taxation of the sale of metals for investment purposes.

Brief Description: Concerning the excise taxation of bullion and rare earth metals.

Sponsors: Senators Eide, Zarelli, Schoesler, Shin, Stevens and Roach.

Brief History:

Committee Activity: Ways & Means: 1/29/08.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305)

Background: Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. There are several different B&O tax rates.

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. The state tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 2.4 percent, depending on the location.

Business in this state engaging in the sale of tangible personal property are subject to the business and occupation tax under the classification of wholesaling, when making sales for resale, or under the classification of retailing when selling to the end consumer. The wholesaling rate is 0.484 percent and the retailing rate is 0.471 percent. In addition, the retail sales tax applies when sales are made to the end consumer unless they are specifically exempt.

Under current law, sales of precious metal bullion and monetized bullion are exempt from the retailing and wholesaling classifications of the B&O tax, and instead they are treated for tax purposes the same as other investment products. The B&O tax applies to the commissions on the sale of the product and not the value of the product being sold. However, the Department of Revenue has ruled that under current law the reforming of precious metal bullion into smaller units is subject to the manufacturing classification of the B&O tax.

Summary of Bill: The B&O tax does not apply to the melting and reforming of precious metal bullion. The sale of precious metal bullion and monetized bullion is presumed to be for

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investment purposes, so the sale of such is only taxed on amounts over and above market price.

In addition the sale of rare earth metals is presumed to be a sale for investment purposes as well, and like precious metal bullion and monetized bullion, the tax only applies on amounts over and above the market price.

Rare earth metals are defined in the statute.

The bill takes effect both retroactively and prospectively

Appropriation: None.

Fiscal Note: Requested on January 14, 2008.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: This company has been receiving this tax treatment since 1985. They haven't been paying the tax. In 1985 we worked hard for this exemption to even the playing field with different states. We provide good clean manufacturing jobs and have grown from two employees to over 135.

Persons Testifying: PRO: Senator Eide, prime sponsor; Ross Hansen, Northwest Territory Mint.