

HOUSE BILL REPORT

HB 2315

As Reported By House Committee On:

Finance

Title: An act relating to technical corrections of excise and property tax statutes.

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

Sponsors: Representatives Thompson, Mulliken, B. Thomas and Dunshee; by request of Department of Revenue.

Brief History:

Committee Activity:

Finance: 1/14/98, 1/15/98 [DPS].

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Dunshee, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Butler; Conway; Kastama; Mason; Morris; Pennington; Schoesler; Thompson and Van Luven.

Staff: Linda Brooks (786-7153).

Background: Some excise and property tax statutes cite specific legislative acts rather than the codification of these acts into the statutes. Statutes also contain some out-of-sequence references to other statutes and outdated provisions.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 operations (B&O) wholesaling tax rate is 0.484 percent, but there are some lower rates. One lower rate is an 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 thing as manufacturing.

A statute enacted last session 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 of Substitute Bill: 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.

Substitute Bill Compared to Original Bill: Language is restored allowing a public assembly hall to retain its property tax-exempt status despite the inadvertent use of the hall for a private business activity.

In 1994, a \$1 tire replacement fee expired. Although the fee has expired, statutory provisions governing the administration of this fee are retained.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed, except for sections 1 and 4 which apply retroactively to July 27, 1997.

Testimony For: None.

Testimony Against: None.

Testified: None.