

2 HB 1361 - S AMD 304

3 By Senators Brown, Sheldon, T and Rossi

4 ADOPTED 04/12/01

5 On page 17, after line 18, insert the following:

6 NEW SECTION. Sec. 18. The legislature finds that the application
7 of the business and occupation tax deduction provided in RCW 82.04.4281
8 for investment income of persons other than those engaging in
9 "banking, loan, security, or other financial businesses" has been the
10 subject of disagreement between taxpayers and the state. Decisions of
11 the supreme court have provided some broad guidelines and principles
12 for interpretation of the deduction provided in RCW 82.04.4281, but
13 these decisions have not provided the certainty and clarity that is
14 desired by taxpayers and the state. Therefore, it is the intent of the
15 legislature to delay change in the manner or extent of taxation of the
16 investment income until definitions or standards can be developed and
17 enacted by the Legislature.

18 NEW SECTION. Sec. 19. A new section is added to chapter 82.04 RCW
19 to read as follows:

20 (1) The department of revenue shall not assess nor impose business
21 and occupation tax on investment income of persons engaging in business
22 activities of a character that have not previously been determined by
23 the department to be an "other financial business" under RCW 82.04.4281
24 through:

25 (a) A final decision of a court of record. However, this
26 subsection shall not be construed to deny the deduction to any person
27 other than the specific taxpayer covered in the court's decision;

28 (b) Excise tax advisories published prior to January 1, 2001; or

29 (c) Rulings or determinations issued by the department of revenue
30 to a specific taxpayer prior to January 1, 2001. However, this
31 subsection shall not be construed to deny the deduction to any person
32 other than the specific taxpayer covered in the ruling or
33 determination.

34 (2) Nothing in this act shall be construed to prohibit the
35 department of revenue from granting the deduction by means of

1 revocation of previous determinations set forth in subsections
2 (1)(a),(b), or (c) of this section.

3 (3) This section expires July 1, 2002.

4 NEW SECTION. **Sec. 20.** The department of revenue shall report to
5 the fiscal committees of the legislature by November 30, 2001, on the
6 progress made in working with affected businesses on potential
7 amendments to RCW 82.04.4281 which would clarify the application of RCW
8 82.04.4281 to other financial businesses."

9 Renumber the sections consecutively and correct any internal
10 references accordingly.

11 **HB 1361** - S AMD 304

12 By Senators Brown, Sheldon, T and Rossi

13 ADOPTED 04/12/01

14 On page 1, on line 5 of the title, after "82.16 RCW;" insert
15 "adding a new section to chapter 82.04 RCW;" and on line 6, strike
16 "creating a new section;" and insert "creating new sections;"

--- END ---

EFFECT: Prohibits the Department of Revenue from imposing B&O tax
on investment income of persons engaging in business activities not
previously determined to be financial businesses.