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**Finance Committee**

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**ESB 5402**

**Brief Description:** Improving tax and licensing laws administered by the department of revenue, but not including changes to tax laws that are estimated to affect state or local tax collections as reflected in any fiscal note prepared and approved under the process established in chapter 43.88A RCW.

**Sponsors:** Senators Schoesler and Rolfes.

**Brief Summary of Engrossed Bill**

- Makes technical clarifications, updates, and consolidations in the state tax and licensing codes.

**Hearing Date:** 2/25/20

**Staff:** Rachelle Harris (786-7137).

**Background:**

Periodically, technical revisions to the Revised Code of Washington (RCW) may be required for multiple reasons. Sections of the RCW may be repealed, recodified, or amended in a way changing their internal or statutory numbering or terminology. The language in these sections, as well as references to these sections in other provisions of the RCW, then become incorrect. Statutes may become obsolete with the passage of time, evolution of technology, improvement of administrative processes, or adoption of state or federal legislation. Administrative agencies occasionally suggest statutory revisions for the purpose of increasing clarity or improving administration.

**Summary of Bill:**

Updating Tax Preference Performance Statements.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Updates are made to tax preference performance statements for a number of tax preferences by clarifying tax preference standards and replacing references to the annual tax surveys and reports with consolidated annual tax performance reports.

#### Clarifying and Consolidating Provisions.

The following updates are made in order to provide clarity and consolidate various provisions:

- the Department of Revenue is authorized to waive penalties for delinquent business license renewals if the delinquency is due to indisputable department error;
- references to a repealed statute are deleted and cross-references to radio and television broadcaster subscription programming sales tax exemption are corrected;
- current artistic and cultural organization business and occupation tax deductions for amounts received and value of articles manufactured for public displays or performances are consolidated;
- county assessor duties regarding property tax deferral program declarations are clarified;
- county treasurer duties regarding personal property subject to unpaid tax moved from one county to another are clarified;
- repeals obsolete sales and use tax sourcing statutes and thoroughbred racetrack tax deferral statutes; and
- repeals consolidated statutes throughout.

#### Technical Corrections.

The following technical corrections are made:

- changes "Liquor Control Board" to "Liquor and Cannabis Board" and "Department of Community, Trade, and Economic Development" to "Department of Commerce" throughout to reflect agency name changes;
- deletes definition of "biofuel" and adds definitions of "biofuel" and "biogas;"
- revises United States Code citation in use tax exemption for government property and services used in watershed protection and flood prevention;
- provides only leasehold excise tax credit for leaseholds in real property owned by certain major universities, created in 2017, expiring January 1, 2032;
- allows offset for use tax mistakenly paid on personal property purchased for leasing, in addition to a currently authorized offset for sales tax; and
- makes corrections to cross-references throughout.

#### Restoring Statutory Definitions.

The following statutory definitions are provided:

- items currently exempt from sales tax if sold to organ procurement organizations;
- items currently exempt from use tax if used by organ procurement organizations;
- public utility tax deductions for energy conservation or renewable energy, to clarify that "cogeneration" is qualified by "as existing on June 30, 2006;" and
- definitions for underground storage tank funding program.

#### Reduces Administrative Burden on Claimants.

The following administrative amendments are made:

- deletes the requirement that educational institutions claiming property tax exemption provide detailed information regarding property, purpose for which it is used, revenue derived for preceding year, use to which revenue was applied, number of students who

attended institution, and total revenues, with sources and purposes to which revenues were applied; and

- statutes relating to property tax deferral and grant programs to clarify that claimants need not file duplicate declarations to defer property taxes under the low-income deferral program, senior citizen or disabled person deferral program, and the widows and widowers of qualifying veterans' property tax grant program.

**Appropriation:** None.

**Fiscal Note:** Requested on February 21, 2020.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed, except for section 38, relating to allowable leasehold excise tax credits, which takes effect January 1, 2022.