
Finance Committee

HB 1567

Brief Description: Concerning a sales and use tax exemption for certain financial information provided to qualifying businesses providing international investment management services.

Sponsors: Representatives Springer, Kirby, Sullivan, Orcutt, Condotta, Pettigrew, Nealey, Vick and Wilcox.

Brief Summary of Bill

- Provides a sales and use tax exemption for standard financial information to qualifying international investment management companies.

Hearing Date: 2/26/13

Staff: Dominique Meyers (786-7150).

Background:

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products and some services. A retail sale is a sale to the final consumer or end user of the property, digital product or service. If retail sales taxes were not collected when the user acquired the property, digital products or services, then use taxes applies to the value of property, digital product or service when used in this state. The state, most cities and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.0 percent, depending on the location.

In 2009, the Legislature explicitly extended sales and use tax to digital products and digital codes. Digital products include digital goods and digital automated services (DAS). A digital good is defined as a product that includes sounds, images, data or facts, which is transferred electronically. Digital goods include electronically delivered music, books, and movies. A DAS is defined as an electronically delivered service that uses one or more software applications. Examples of a DAS include credit reports, online games and searchable databases.

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Current law provides an exemption from the retail sales and use tax for standard digital information purchased solely for business purposes. "Standard digital information" means a digital good consisting primarily of data, facts, or information that is not generated for a specific client or customer.

Summary of Bill:

A retail sales tax exemption is created for the sale of Standard Financial Information (SFI) to Qualifying International Investment Management Companies (QIIMC). Standard Financial Information provided to the buyer in a hard copy, a tangible storage medium, or as a digital product transferred electronically qualifies for the exemption. Digital products include digital goods and DAS, which are not currently exempt from sales and use taxes.

Standard Financial Information is defined as financial data, facts, or information or financial information services that are developed for more than one single customer. Standard Financial Information includes, but is not limited to, financial market data, bond ratings, credit ratings, and deposit, loan or mortgage reports. A QIIMC is defined as a person who is primarily engaged in the business of providing investment management services with at least 10 percent of the gross income derived from such services to persons or collective investment funds outside the United States, collective investment funds with at least 10 percent of their investments positions outside of the United States.

Appropriation: None.

Fiscal Note: Requested on February 25, 2013.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.