

HOUSE BILL REPORT

SSB 6333

As Passed House:
March 6, 2014

Title: An act relating to tax statute clarifications, simplifications, and technical corrections.

Brief Description: Concerning tax statute clarifications, simplifications, and technical corrections.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Schoesler and Hargrove).

Brief History:

Committee Activity:

Finance: 2/25/14, 2/27/14 [DP].

Floor Activity:

Passed House: 3/6/14, 97-0.

Brief Summary of Substitute Bill

- Makes technical corrections, clarifications, updates, and consolidations in the state tax code.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 13 members: Representatives Carlyle, Chair; Tharinger, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Fitzgibbon, Hansen, Lytton, Pollet, Reykdal, Springer, Vick and Wilcox.

Staff: Richelle Geiger (786-7175).

Background:

Technical Corrections to Tax Statutes.

Inaccuracies in the Revised Code of Washington (RCW) may occur in a variety of ways: Sections of the RCW may be repealed, recodified, or amended in a way that changes their internal or statutory numbering or terminology; typographical errors may be made in the

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drafting process; and sections of the RCW may reference outdated federal law. The language in these sections, as well as references to these sections in other provisions of the RCW, then become incorrect.

In a given legislative session, two or more bills may amend the same section of the RCW without reference to each other. These are called "double" or "multiple" amendments. Usually there are no substantive conflicts between the multiple amendments, and the amendments may be merged in the published version of the code. In the event that multiple amendments substantively conflict and cannot be merged, both versions of the section are published. A future legislative enactment is required to merge the multiple amendments in this situation.

The technical clarifications, corrections, updates, and consolidations made in this bill are made in six parts: (1) Improving Administrative Efficiency; (2) Repealing Obsolete Statutes; (3) Clarifying and Corrective Amendments; (4) Fixing Inadvertent Errors and Oversights in Prior Legislation; (5) Clarifying Ride Sharing Tax Preferences; and (6) Simplifying Exemption Certificate Requirements for Farmers.

Summary of Bill:

Part 1: Improving Administrative Efficiency.

The following administrative changes are made for the Department of Revenue (Department):

- The Department may update nexus thresholds without a formal rule-making process.
- The deadline for the Department to provide statistics based on annual surveys and reports provided by tax preference beneficiaries is moved from October 1 to December 1.
- The Department may electronically serve a notice and order garnishment to obtain property of a taxpayer from a third party on any person, including itself, with written consent.

Part 2: Repealing Obsolete Statutes.

The statute requiring the Department to compile a list of taxable candy is repealed. Candy is exempt from sales and use tax, therefore this statute is obsolete.

Part 3: Clarifying and Corrective Amendments.

- The statute regarding the priority of tax liens on public improvement contractors is amended to merge a double amendment.
- The sales of certain chemicals used in agricultural processes and maintenance services provided by transit agencies on bus, train, or monorails are explicitly removed from the definition of retail sale for business and occupation (B&O) tax purposes. This brings consistency between the B&O definition and the retail sales tax definition of "retail sale."
- Activities that are not regulated by the Washington State Gambling Commission are not subject to the "contest of chance" B&O classification.
- County treasurers must mail a notice to the owner of land that has been removed from the designated forest land classification, identifying the amount of compensating tax

due by the land owner. Language regarding eminent domain is also added to the section, to bring consistency among similar statutes.

- If a notice of continuance is not signed by a new owner of timber or forest land, all applicable tax interest and penalties are due by the seller.
- Internal references are updated in several statutes.
- Department's report on the working family tax exemption is due within 18 months of the implementation of the program.

Part 4: Fixing Inadvertent Errors and Oversights in Prior Legislation.

- Taxpayers claiming certain aerospace related tax preferences are required to file an annual report. A bill from several years ago consolidating various tax preference surveys and reports into two documents inadvertently excluded these tax preferences.
- A recipient of a semiconductor tax preference is only required to file one annual report or survey.
- County assessors may submit certain notifications to property owners electronically.
- Publically-owned property is exempt from valuation requirements.

Part 5: Clarifying Ride Sharing Tax Preferences.

- The bill creates consistency between the definition of "persons with special transportation" included in the ride sharing tax preference statute to the definition in the transportation tax code.
- Requirements for a passenger vehicle used for ride sharing to qualify for the motor vehicle excise tax exemption are specified.

Part 6: Simplifying Exemption Certificate Requirements for Farmers.

- Farmers are not required to submit an application to the Department to receive the sales and tax exemption for qualifying farm machinery replacement parts and livestock nutrient management equipment.
- Buyers who qualify for these sales and tax exemptions must present the seller of the equipment an exemption certificate to claim the tax preference.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) This is a technical correction bill that has been presented a number of times in the past. The bill adds consistency and clarification. For example, six of the changes improve county administrative authority, five of the changes update references that have changed in underlying statutes, five improve statutory consistency and a couple streamline reporting requirements for business. This makes filing simpler for businesses and the tax statute easier to administer by the Department of Revenue.

(Opposed) None.

Persons Testifying: Senator Schoesler, prime sponsor; and Drew Shirk, Department of Revenue.

Persons Signed In To Testify But Not Testifying: None.