

SENATE BILL REPORT

SB 6438

As Reported by Senate Committee On:
Ways & Means, February 3, 2016

Title: An act relating to improvements to tax and licensing laws administered by the department of revenue.

Brief Description: Concerning improvements to tax and licensing laws administered by the department of revenue.

Sponsors: Senators Schoesler and Hargrove.

Brief History:

Committee Activity: Ways & Means: 1/26/16, 2/03/16 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6438 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hill, Chair; Braun, Vice Chair; Dammeier, Vice Chair; Honeyford, Vice Chair, Capital Budget Chair; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Ranking Minority Member, Operating; Bailey, Becker, Billig, Brown, Conway, Darneille, Hasegawa, Hewitt, Nelson, O'Ban, Padden, Parlette, Pedersen, Rolfes, Schoesler and Warnick.

Staff: Dean Carlson (786-7305)

Background: When legislation is enacted, it frequently contains references to other statutes. These references may become erroneous due to changes made to the referenced statutes by other legislation enacted during the same legislative session. In addition, statutes sometimes include provisions that are limited in time. These provisions become obsolete with the passage of time.

From time to time, administrative agencies suggest statutory revisions for the purpose of increasing clarity or improving administration.

This legislation has several changes to the tax statutes to accomplish the above.

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.

Summary of Bill (Recommended Substitute): Part 1. A mechanism is provided to allow the inheritance exemption from real estate excise tax (REET) to apply in cases where real property is transferred outside of probate. An heir(s) must provide:

- a certified copy of the death certificate; and
- a signed affidavit affirming that he, she, or they are the rightful heirs to the property.

Part 2. A clarification is made so that that pet adoption fees paid to local governments, humane societies, and non-profit animal rescue organizations are not subject to sales tax and are subject to B&O tax under the catchall Service and Other Activities classification.

Part 3. Legislation from 2015 that allowed nonresident entities to obtain nonresident vessel permits had conflicting expiration dates. The expiration date is fixed as intended to December 31, 2025.

The annual limit for the commute trip reduction credit is clarified to be be \$2,750,000.

The effect date for the sales tax exemption for clean alternative vehicles is clarified as July 15, 2015. It is also clarified that a trade-in does not affect the fair-market value of a vehicle when determining qualification for the exemption.

An effective date error to the newspaper business and occupation tax preferential rate is corrected.

A clarification is made that if a taxpayer has nexus in Washington from January 1, 2015, through August 31, 2015, then they have nexus for the rest of 2015.

Internal reference errors resulting from legislation in 2015 are corrected.

Part 4. The Department of Revenue personnel are allowed to possess, for official business, sales suppression devices and software voluntarily surrendered by the taxpayer.

Part 5. The tax preference accountability annual report provisions are changed in the following ways:

- Taxpayers may file an annual report later than the due date if they are claiming a tax preference on an amended return.
- Recipients of tax preferences are not required to file an annual report if they are not required to be registered with the Department of Revenue.
- County assessors would be required to notify the Department of Revenue in writing of any taxpayer claiming a property tax preference that requires the filing of an annual report, unless the taxpayer is required to apply to the Department of Revenue to claim the preference.

For property tax preferences requiring a survey, instead of requiring the actual amount of tax savings provided by the tax preference to be reported on the survey, taxpayers could include an estimate of the amount of property tax savings provided by the tax preference.

Part 6. Corrections to update internal references to other statutes are made.

An obsolete business and occupation tax credit for new employment positions created in a rural county is repealed. No credit could be earned or taken after December 31, 2010.

A reference to "master application" is changed to "business license application" to reflect current terminology.

A redundant version of RCW 82.04.280 is eliminated. Since 2003, there have been two codified versions of this statute. Originally the two statutes had slightly different language, but subsequent amendments fixed that.

Part 7. Clarifies that the operation of private school buses for student transportation purposes is not subject to the public utility tax and is subject to the business and occupation tax under the "service and other" classification.

Part 8. Estates do not need to file an estate tax return if the gross estate is equal to or less than the filing threshold.

Part 9. Licensing information is protected from disclosure by amending the licensing statute to clarify that the Department of Revenue may not disclose licensing information to be used for commercial purposes.

Part 10. Statutory authority is provided for the Department of Revenue to require employees to undergo background checks in order to have access to federal tax information.

Part 11. The deadline for the Department of Revenue to provide an estimate to each county and taxing district within the county of the amount of public forest land available for timber harvesting with the county is extended to October 1. The current deadline is August 30 of each year, however, the department does not always have sufficient boundary information to meet this deadline.

Part 12. Miscellaneous provisions.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute): The retroactive application of taxing private school buses under the business and occupation tax is removed.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: PRO: There are some really helpful improvements in the bill. Nothing in the bill changes underlying policy. We have been taxing school buses for hire the same way for 84 years.

CON: I oppose section 7 of the bill. School buses for hire should be taxed under the public utility tax under the motor and urban transportation classifications. The definition of urban transportation has been in place since the 1930s. The law is fairly clear in this area. There is no statutory authority to tax under the business and occupation tax. One taxpayer has filed a case with the superior court.

Persons Testifying on Original Bill: PRO: Drew Shirk, Dept. of Revenue.

CON: Darcy Kooiker, Ryan LLC, Principal.

Persons Signed In To Testify But Not Testifying on Original Bill: No one.