

HOUSE BILL REPORT

SSB 5565

As Reported by House Committee On:
Finance

Title: An act relating to modifying tax and revenue laws by making technical corrections, clarifying ambiguities, easing compliance burdens for taxpayers, and providing administrative efficiencies.

Brief Description: Modifying tax and revenue laws by making technical corrections, clarifying ambiguities, easing compliance burdens for taxpayers, and providing administrative efficiencies.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Schoesler, Rolfes, Dozier, Nobles and Wellman).

Brief History:

Committee Activity:

Finance: 3/9/23, 3/16/23 [DPA].

Brief Summary of Substitute Bill
(As Amended By Committee)

- Makes several administrative and technical changes to state tax and licensing codes.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass as amended. Signed by 12 members: Representatives Berg, Chair; Street, Vice Chair; Orcutt, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Chopp, Ramel, Santos, Springer, Stokesbary, Thai, Walen and Wylie.

Staff: Kristina King (786-7190).

Background:

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

Each year, the Department of Revenue (DOR) identifies technical and administrative changes to the tax and licensing sections of the Revised Code of Washington (RCW) for consideration by the Legislature. This bill addresses the DOR's recommendations.

Enhanced Food Fish Tax.

This is a tax on who first commercially possesses certain fish within the state. The tax is calculated by the value of the fish when first landed at a rate that varies depending on the species of the fish. The tax also applies to byproducts and parts of seafood.

Main Street Tax Credit.

The Main Street tax credit incentive program provides a business and occupation (B&O) or public utility tax credit for private contributions given to eligible downtown organizations. The tax credit is for 50 to 100 percent of the contribution made to designated main street communities or the Main Street Trust Fund. The DOR may not approve credits for contributions made to a program that is in a city or town with a population above 190,000.

Motion Picture Competitiveness Program Business and Occupation Tax Credit.

Persons who make a cash contribution to an approved Motion Picture Competitive Program, such as to Washington Filmworks, can claim a B&O tax credit. The credit is for 100 percent of the contribution, not to exceed \$1 million per calendar year. The total credits may not exceed a statewide capacity of \$15 million each calendar year. The credit program expires June 30, 2030. Claimants of the credit must file an annual tax preference performance report.

Revised Uniform Unclaimed Property Act.

In 2022 the Legislature made several changes to the Uniform Unclaimed Property Act. The Revised Uniform Unclaimed Property Act (RUUPA) took effect January 1, 2023. The RUUPA includes changes to programmatic coverage, dormancy, and other specifics for new types of intangible property, including new types of investment vehicles, as well as changes in technology.

Working Families' Tax Credit.

The Working Families' Tax Credit (WFTC) is a state program for low- to moderate-income families that offers a partial credit against sales and use taxes paid in the form of a refund. The amount of the WFTC payment varies depending on the number of qualifying children in the household and the filer's income level. The minimum credit amount for all eligible persons that apply is \$50. The maximum credit amount is as follows: \$300 for eligible persons with no qualifying children, \$600 for eligible persons with one qualifying child, \$900 for eligible persons with two qualifying children, and \$1,200 for eligible persons with three or more qualifying children. To receive a credit, eligible persons must apply to the DOR. The DOR has authority to adopt rules necessary to implement and administer the program.

Summary of Amended Bill:

Enhanced Food Fish Tax.

The addendum for the tax is due at the same time as the combined excise tax return.

Main Street Tax Credit.

The population threshold for the credit is determined at the time of a local government's designation as a Main Street Community.

Motion Picture Competitiveness Program Business and Occupation Tax Credit.

The requirement for claimants of the credit to file an annual tax preference performance report is removed.

Revised Uniform Unclaimed Property Act.

Several outdated references to the repealed Uniform Unclaimed Property Act are replaced with references to RUUPA. An abandonment period is added for excess proceeds from the sales of certain property for purposes of RUUPA as follows: sales of property by an owner of a self-service storage facility is six months from the date of sale; income from the sale of tenant property by a landlord is one year from the date of sale; and funds from the sale of an abandoned vessel by an operator of a private moorage facility is one year from the date of sale.

Working Families Tax Credit.

The rounding process for the minimum \$50 WFTC payment amount is clarified.

Further Clarifications and Technical Corrections.

Removes the requirement that the DOR continue to report annually on the progress of its efforts to partner with all cities that impose a general business license beyond the January 1, 2023, report due to the completion of this work in 2022.

Clarifies that the Legislature intends for state sales and use tax exemptions to apply to local sales and use taxes in an identical manner unless explicitly stated otherwise.

Clarifies that repayment of deferred taxes under the Rural County Investment Program only occurs if a project ceases to meet the requirements of the deferral.

Replaces the term "tolled" with the term "suspended" for the tax deferral for rural county projects.

Clarifies that the \$125,000 tax return filing relief threshold is based on the business's annual value of products, gross proceeds of sales, and gross income of the business, from all business activities subject to the B&O tax.

Repeals certain outdated, expired, erroneous, or redundant provisions, cross-references, and

statutes.

Amended Bill Compared to Substitute Bill:

The amended bill aligns amendatory language with two bills that amend the same subsections in RCW 35.90.020 and RCW 82.73.030(3).

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: 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 bill contains many technical cleanups to the tax code sections of the revised code that should allow for the clearer reading of the statutes, easier compliance for taxpayers, and more efficient administration for the DOR. Everything in the bill is neutral both in terms of policy and fiscal impact. For example, the bill replaces outdated references to repeal the uniform Unclaimed Property Act with references to the Revised Uniform Unclaimed Property Act; references that escaped the DOR's attention last year. This bill also replaces an erroneous reference to county with country and repeals outdated and redundant statutes. The DOR urges support of this commonsense tax revision bill.

(Opposed) None.

Persons Testifying: Steve Ewing and Andre Unicume, Department of Revenue.

Persons Signed In To Testify But Not Testifying: None.