

SENATE BILL REPORT

SB 6215

As of January 25, 2024

Title: An act relating to improving tax and revenue laws in a manner that is not estimated to affect state or local tax collections as reflected on any fiscal note for this act, including provisions easing compliance burdens for taxpayers, clarifying ambiguities, making technical corrections, and providing administrative efficiencies.

Brief Description: Improving tax and revenue laws.

Sponsors: Senators Schoesler, Robinson and Mullet.

Brief History:

Committee Activity: Ways & Means: 1/25/24.

Brief Summary of Bill

- Makes a number of administrative and technical changes to the state tax and licensing codes.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Alia Kennedy (786-7405)

Background: Each year the Department of Revenue (DOR) identifies technical and administrative changes to the tax and licensing sections in the Revised Code of Washington (RCW) for consideration by the Legislature. Technical revisions to state law 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 Sections of the RCW may be repealed, recodified, or amended in a way changing their internal or statutory numbering or terminology.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 to increase clarity or improve administration.

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.

Basic Education Compensation Allocations. Beginning with the 2023-24 school year, and every four years thereafter, the Legislature must review and rebase salary allocations for certain school district staff to ensure that salary allocations reflect market rates and that regionalization reflects actual economic differences among districts. The review must include which inflationary measure is the most representative of the actual market experience for school districts. No district may receive less state funding for the minimum state salary allocation as compared to its prior school year salary allocation because of adjustments that reflect updated regionalized salaries.

To aid the Legislature in reviewing and rebasing regionalization factors, DOR must determine the median single-family residential value of each school district, as well as the median value of proximate districts within 15 miles of the boundary of the school district for which the median residential value is being calculated. The information must be provided to the Legislature every four years by November 1st.

Newspaper Business and Occupation Tax Exemption. The state business and occupation (B&O) tax is Washington's primary business tax. It is a gross receipts tax measured on the value of products, gross proceeds of sale, or gross income of the business. There are no deductions from the B&O tax for labor, materials, taxes, or other costs of doing business. The B&O tax rate varies by classification or activity. The major rates are: 0.471 percent for retailing activities, 0.484 percent for manufacturing and wholesaling activities, and for service and other activities, either 1.5 percent or 1.75 percent, depending upon the amount of annual gross income of the business. The state B&O tax includes a number of preferential tax rates, credits, exemptions, and deductions as well as several increased rates or surcharges.

In 2023 the Legislature replaced the preferential B&O tax rate of 0.35 percent for printing and publishing newspapers with a complete B&O tax exemption. The tax exemption includes the publishing of certain digital content, such as content that is published at regularly stated intervals of at least once per month and is made available to readers exclusively in an electronic format. The B&O tax exemption for newspapers expires January 1, 2034.

Retail Sales and Use Tax. 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 tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. Some other local government entities and special purpose districts also impose sales and use taxes for specific purposes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.9 percent, depending on the location.

Reseller Permits. Retail sales tax is not collected on wholesales purchases because the purchaser is generally not the final consumer. Businesses making wholesale purchases must obtain a reseller permit. The permits allow businesses to purchase items or services for resale without paying sales tax.

Motor Vehicle Use Tax Exemption for Members of the Armed Services. Use tax does not apply to motor vehicles purchased by an active-duty member of the United States armed services who is a resident of Washington but purchased the vehicle while stationed outside of the state pursuant to military orders. The exemption does not apply to members of the armed services called to active duty for training purposes for periods of less than six months or purchases of motor vehicles 30 days prior to discharge or release from activity duty.

Local Real Estate Excise Tax. Local governments may impose a local real estate excise tax (REET). The local REET is assessed at a fixed rate and, unlike the state REET, does not vary depending on the selling price of the real estate. Tax rates do vary by taxing district though, with most local jurisdictions imposing the REET at a rate of 0.25 or 0.50 percent of the selling price. Any exemption from the state REET also applies to the local REET.

Business Licensing Service. DOR maintains a portal to the state's business licensing program, referred to as the Business Licensing Service (BLS). The BLS is the state clearinghouse for business licensing. The system allows a business customer to file a business license application, file an annual renewal, check on the status of a business account, view and pay any outstanding fees, and update account information. The BLS is used by a number of cities, counties, and state agencies for the issuance of various types of business licenses and endorsements.

Under current law, certain specified state agencies are required to provide to DOR information about business licenses issued by the agency. DOR must use that information to compile and submit an aggregate report to the Governor and the Economic Development Committees of the Legislature by January 1st of each year.

Summary of Bill: Basic Education Compensation Allocations. The requirement that DOR provide to the Legislature the median single-family residential value of each school district is clarified so that such information is in addition to the median single-family residential value of school districts within 15 miles of the boundary of that school district every four years.

Newspaper Business and Occupation Tax Exemption. An erroneous word is corrected in the definition of "primarily" as it relates to the B&O tax exemption for newspapers.

Reseller Permits. An outdated reference for administration of reseller permit renewal periods that occurred prior to July 1, 2013, is removed. The definition of contractor is also modified to align with changes made to the definition of plumbing contractor in licensing statutes not administered by DOR.

Motor Vehicle Use Tax Exemption for Members of the Armed Services. The motor vehicle use tax exemption for members of the armed services is clarified such that a military service member stationed outside of Washington must also reside outside of Washington to qualify for the use tax exemption.

Local Real Estate Excise Tax. Adds language to the local REET statutes to clarify the local REET must comply with all applicable rules, definitions, regulations, laws, and court decisions regarding the state real estate excise taxes, unless context clearly indicates otherwise.

Business Licensing Service. The requirement for certain agencies to provide DOR with information about business licenses issued by each participating agency and the requirement for DOR to compile such information and submit an aggregate report to the Governor and the Legislature are each removed.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: This legislation is the DOR annual technical corrections bill that contains minor fixes to the tax code. The changes in this bill are policy and fiscal neutral, and help DOR administer the law while making it easier for taxpayers to understand. Technical and administrative changes include updating and correcting definitions, addressing recommendations from the Code Reviser, and clarifying certain state and local tax statutes. The bill removes a labor-intensive report as DOR now publishes that information online. This bill creates greater tax law transparency.

Persons Testifying: PRO: Emily Shay, Association of Washington Business; Steve Ewing, Dept. of Revenue.

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