
**Consumer Protection & Business
Committee**

HB 1887

Brief Description: Creating a data broker registry for the purpose of imposing a data broker severance tax.

Sponsors: Representatives Kloba, Parshley, Simmons and Pollet.

Brief Summary of Bill

- Requires data brokers to register annually with the Department of Licensing (Department) before brokering residents' personal data.
- Requires the Department to make data broker registration information publicly available on its website.
- Establishes a severance tax for data brokers, with a graduate tax rate based on the number of residents that data is collected for.

Hearing Date: 2/18/25

Staff: Megan Mulvihill (786-7304).

Background:

Data Brokers.

According to the Federal Trade Commission, companies known as "data brokers" collect personal information from consumers and sell or share it with others. Data brokers collect this information from a wide variety of commercial and government sources and use both raw and inferred data about individuals to develop and market products, verify identities, and detect fraud. Because these companies generally never interact directly with consumers, consumers are often unaware of their existence, practices, and use of collected personal information.

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.

Severance Taxes.

Severance taxes are taxes on the extraction of resources and are most often calculated based on either the value or volume of production, or both.

Summary of Bill:

A data broker is any business entity that engages in data brokering, which is the act of collecting, aggregating, analyzing, buying, selling, and sharing brokered personal data, irrespective of the business entity's relationship with the resident whose data is being brokered. Consumer reporting agencies, financial institutions, state agencies, local governments, or businesses acting solely on behalf of the state or a local government are not data brokers. Brokered personal data includes a resident's name, maiden name, address, date or place of birth, biometric information, social security number or other government-issued identification, or other information that can reasonably be associated with the resident.

Beginning January 1, 2026, a data broker must register annually with the Department of Licensing (Department). On or before January 1 of each year, a data broker must submit to the Department their name, address, telephone number, primary website, and email address; pay a registration fee; and include a declaration which:

- indicates the type of data collected, how the data is processed, who the data is sold to, and for what purpose the data is sold;
- specifies how many residents the data broker collected data on each month of the previous year;
- explains what types of security measures are in place to protect the data;
- states whether a resident's precise geolocation information or consumer health data is collected;
- states whether residents may opt out of all or a portion of the data broker's use of their brokered personal data;
- identifies which data broker's activities or brokered personal data a resident may opt out of providing or permitting use of;
- describes the method by which a resident may opt out; and
- states whether a resident may authorize another individual to exercise the choice to opt out on their behalf and, if so, the appropriate process for the authorization.

A data broker is not required to register with the Department if the brokered personal data involves:

- providing publicly available information that is related to a resident's business or profession;
- providing publicly available information as part of a service that provides alerts for health or safety purposes;
- providing directory assistance or directory information services as, or on behalf of, a telecommunications carrier; or
- selling assets of a business entity, once or only occasionally, as part of a transfer of

control.

The Department must approve the registration for any data broker in compliance with the registration requirements. The Department must make the information that business entities submit for registration publicly available on its website. Data brokers are governed under the Uniform Regulation of Business and Professions Act. The Department has authority to adopt necessary rules.

Data Broker Severance Tax.

Beginning January 1, 2027, a monthly data broker severance tax is imposed on data brokers registered with the Department. The tax is a graduated rate based on the number of residents the data brokers collect brokered personal data on each month. The rate varies from a minimum of \$0.05 per resident for data brokers collecting data on 500,000 residents or less per month to \$0.55 per residents for data brokers collecting data on 5,000,000 residents or more per month.

Data brokers are required to file a monthly return with the Department of Revenue (DOR). A resident must be counted only once in the calculation of the monthly excise tax imposed on a data broker. A data broker and the DOR may agree on a methodology for determining the number of residents for the purpose of calculating the tax. If an agreement is not reached, the DOR must determine an acceptable estimation methodology for determining the number of residents for the purpose of calculating the tax. The DOR is authorized to prescribe rules to implement the imposition of the tax.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date: The bill contains multiple effective dates. Please see the bill.