
Finance Committee

ESB 5800

Brief Description: Modifying tax and revenue laws in a manner that is estimated to not affect state or local tax collections by easing compliance burdens for taxpayers, clarifying ambiguities, making technical corrections, and providing administrative efficiencies.

Sponsors: Senators Schoesler, Padden and Rolfes.

<p>Brief Summary of Engrossed Bill</p> <ul style="list-style-type: none">• Makes technical corrections, statutory clarifications, and administrative changes to the state tax and licensing codes.

Hearing Date: 2/22/22

Staff: Kyle Raymond (786-7190).

Background:

Periodically, technical revisions to the Revised Code of Washington (RCW) 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 Sections of the RCW may be repealed, recodified, or amended in a way changing their internal or statutory numbering or terminology.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 becomes 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 for the purpose of increasing clarity or improving administration.

Summary of Bill:

The bill makes a variety of administrative changes, technical corrections, and statutory

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clarifications. The bill:

- modifies how unclaimed excess funds from the public auction of an abandoned aircraft are treated by:
 - requiring excess aircraft funds be deposited by the Department of Revenue (DOR) into the aeronautics account, rather than depositing excess funds in an account that no longer exists; and
 - requiring the DOR to hold excess funds for one year from the date of sale of an aircraft, rather than one year from the date of receipt;
- allows the DOR to disclose licensing information to a peace officer or county prosecuting attorney for the purpose of review, investigation, or enforcement activities related to a license or license application;
- removes the requirement that the DOR report annually to the Legislature regarding the state's compliance with the Streamlined Sales and Use Tax Agreement (SSUTA), and instead requires the DOR report to the Legislature the year immediately following any year during which the SSUTA is amended if legislation is required to keep Washington in compliance with the agreement;
- modifies the definition of "advanced computing" by replacing the term "online marketplace" with "marketplace facilitator"; and makes the changes retroactive effective January 1, 2020;
- revises the reporting period for taxpayers claiming the retail sales tax exemption for aircraft maintenance repair to October 1, 2020, through September 30, 2021, rather than the current the reporting period of September 1, 2020, through September 1, 2021;
- provides that the tax preference performance review and automatic expiration provisions do not apply to the retail sales tax exemption for marijuana products covered under a tribal compacting agreement;
- clarifies that the use tax exemption for use of personal property related to farmworker housing applies when at least 50 percent of the housing units in a development are used as farmworker housing;
- adds as an exception to the prohibition of disclosure of return or tax information by the DOR that the DOR may disclose any return or tax information to an individual when the return or tax information is related directly to that person's individual liability, as part of a marital community, for amounts due under a warrant issued by the DOR;
- modifies the annual tax performance report requirement related to tax deferrals by:
 - specifying that, for tax deferrals, the report must be filed by May 31 of each succeeding calendar year through the calendar year in which the deferred taxes are fully repaid or are immediately due and payable because the recipient of the deferral is no longer eligible for the deferral; and
 - specifying that if a person who is required to file an annual report fails to do so, if the tax preference is a deferral of tax, the amount immediately due is the deferred tax divided by the number of years in the repayment period;
- removes an erroneous citation to session law under the contingent semiconductor microchip fabrication facility siting and operation tax incentive statute;
- expires rural county business and occupation tax credits for new employees six years from the later of the year that:

- the DOR is notified that business has ceased engaging in business within this state by the recipient, or a representative of the recipient;
- the DOR closes the recipient's tax reporting account; or
- the recipient last claimed the credit on a return filed with the DOR; and
- provides for prorating of the state property tax levies for the support of common schools such that if the aggregate rate of state property taxes levied for collection in any calendar year after 2021 exceeds \$3.60 per \$1,000 of assessed value, each rate must be reduced on a pro rata basis until the aggregate rate no longer exceeds \$3.60 per \$1,000 of assessed value.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 16, 2022.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed, except for section 4 of the bill, relating to modifying the "advanced computing" definition, which applies retroactively to January 1, 2020.