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**Finance Committee**

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**HB 1597**

**Brief Description:** Concerning the administration of state and local tax programs.

**Sponsors:** Representatives Springer and Hunter; by request of Department of Revenue.

**Brief Summary of Bill**

- Provides uniformity in the tax incentive accountability provisions.
- Revises provisions relating to the confidentiality and disclosure of tax information.
- Makes technical changes to the excise, estate, and property tax laws.

**Hearing Date:** 2/5/09

**Staff:** Joseph Archuleta (786-7192)

**Background:**

**Tax incentive accountability**

The Legislature has enacted or extended numerous tax incentives that require the reporting of information to the Department of Revenue (DOR). Although there are many similarities in the requirements and only two distinct accountability documents (annual reports and annual surveys), there are differences in the information reported, penalties for failure to file, due dates, filing extensions, and filing requirements.

**Confidentiality and disclosure**

There are certain areas regarding the confidentiality of taxpayer information that often involves highly personal information such as bank account records and social security numbers. Generally, tax return information is confidential; however, there are a number of exceptions including disclosing tax information to a peace officer or the Internal Revenue Service of the United States for official purposes.

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*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.*

## **Property tax**

The DOR is responsible for the general supervision and control over the administration of property tax. County assessors value property for tax purposes and county treasurers collect the tax.

## **Clarifications and technical corrections**

Inaccuracies in the Revised Code of Washington (RCW) may occur in a variety of ways. Typographical, drafting, structural, or grammatical errors may be made in bill drafts and floor amendments. Sections may be repealed, re-codified, or amended in a way that changes their internal numbering, creating incorrect cross-references. A bill may change a particular term or an entity may be renamed or abolished, and references to these terms or entities in other provisions of the code become inaccurate.

## **Summary of Bill:**

The summary below describes the effect for each of the five sections within the bill.

### **Part I: Providing uniformity in tax incentive accountability provisions**

- creates a uniform annual survey and annual report, which recipients of certain tax incentives must file with DOR on an annual basis;
- amends various tax incentive statutes that require recipients to file a uniform annual survey or a uniform annual report, as the case may be;
- eliminates references to all of the existing annual report and annual survey statutes, which are repealed and replaced with the uniform annual report and annual survey.

### **Part II: Confidentiality**

- allows cities to make taxpayer information for municipal business and occupation (B&O) taxes confidential;
- adds the estate tax to the list of confidential tax returns;
- authorizes DOR to disclose tax information in a contractor bond action;
- removes the \$5,000 threshold for when DOR can disclose names of taxpayers with unpaid tax warrants;
- authorizes DOR to disclose tax information to the federal Alcohol and Tobacco Tax and Trade Bureau of the U.S. Department of the Treasury;
- limits the real estate excise tax (REET) information DOR can disclose to filed REET affidavits;
- authorizes disclosing tax information to a person whom DOR has asserted liability against under the estate tax;
- authorizes DOR to disclose return or tax information to the Streamlined Sales Tax Governing Board for official board purposes.

### **Part III: Clarifications and technical corrections**

- clarifies that the motor vehicle fuel tax and the special fuel tax do not preempt other state taxes, such as the B&O tax, on the business of manufacturing, selling, or distributing motor vehicle fuel;
- expands the B&O tax exemption for fundraising sales to include public libraries;

- clarifies that vending-machine sales of soft drinks and dietary supplements are taxed on 100% of the gross sales;
- stipulates that sellers are not required to collect use tax from purchasers on sales that are exempt from sales tax but not use tax;
- changes the responsibility to administer any local fuel taxes from the Department of Licensing to DOR;
- eliminates tangible personal property from the estate tax deduction for property used for farming.

**Part IV: Property tax**

- allows DOR to convert informal appeals before the State Board of Tax Appeals to formal appeals;
- allows the transfer of property to a surviving domestic partner without triggering the higher farm income thresholds in the farm and agricultural current use program;
- defines child day care center for property tax exemptions;
- extends the property tax exemption for property leased to a county hospital;
- eliminates duplicate audits by the Joint Legislative Audit and Review Committee and makes the reporting consistent with the review of tax preferences schedule for the low income property tax deferral program;
- eliminates the requirement for county assessors to furnish the State Auditor with an abstract of the tax rolls;
- removes the requirement that the county legislative authority levy taxes “at its October session” making it consistent with another law that states counties have until November 30 to certify their levy to the county assessor;
- repeals language that adjusts the one percent limit calculation for a now unused tax increment financing law;
- conforms the law to the 2007 change that eliminated the February 15 date and allows property taxes to be paid as soon as the county treasurer has completed the tax roll for the current year's collection.

**Part V: Miscellaneous**

- contains miscellaneous provisions such as a severability clause, application date clauses, effective and expiration dates, and codification directions.

In addition to these changes, technical corrections are made to various provisions related to excise, estate, and property tax laws. These changes include:

- correcting drafting errors, structural problems such as RCW strings that are not in numeric order, inaccurate references to terms that have been changed, and inaccurate cross-references;
- adding or modifying language to clarify statutory provisions; and
- repealing several obsolete provisions of code.

**Appropriation:** None.

**Fiscal Note:** Preliminary fiscal note available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.