SENATE BILL REPORT
SB 5483

As of January 24, 2023

Title: An act relating to classification of digital processing services.

Brief Description: Concerning the classification of digital processing services.

Sponsors: Senators Stanford, Dozier, Lovick, Mullet, MacEwen, Gildon, Boehnke and Wilson, J..

Brief History:
Committee Activity: Business, Financial Services, Gaming & Trade: 1/26/23.

Brief Summary of Bill

- Clarifies sales and use tax exemptions in statute to include financial institutions use of automated services if the digital automated services are used solely for business purposes.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES, GAMING & TRADE

Staff: Clinton McCarthy (786-7319)

Background: Retail Sales and Use Tax. Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property (TPP) and some services. If retail sales taxes were not collected when the property or services were acquired by the user, then use taxes are applied to the value of most TPP and some services when used in this state. Use tax rates are the same as retail sales tax rates.

In 2009, the Legislature exempted certain digital products from the sales and use tax. Those products include:

- digital products purchased for resale, and digital products incorporated as an ingredient or component of another product for resale:

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.

- digital products provided free of charge;
- sales of radio and television broadcast programming by a radio or television broadcaster including broadcasts on a pay-per-program basis if the sale of the programming is subject to a franchise fee; and
- standard digital information purchased solely for business purposes.

"Standard digital information" means a digital good consisting primarily of data, facts, or information that is not generated for a specific client or customer.

In April 2022, the Department of Revenue made a determination that a certain online banking platform for a financial institution was not eligible for a digital automated services exemption.

Summary of Bill: Sales and use tax exemptions are clarified in statute to include financial institutions use of automated services if the digital automated services are used solely for business purposes. "Financial institutions" means a bank, trust company, mutual savings bank, savings and loan association, or credit union authorized to do business and accept deposits in this state under state or federal law.

Appropriation: None.

Fiscal Note: Requested on January 24, 2022.

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

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