

Conclusion

This Committee agrees that legislation implementing digital products tax policy is necessary in 2009 to:

- ~~Protect the sales and use tax base;~~
- Establish certainty in our tax code;
- Maintain conformity with the SSUTA; and
- Encourage economic development.

Committee members expressed differing views on certain fundamental issues surrounding the taxation of digital products. Some Committee members expressed concerns of ~~inadvertent~~ UNINTENDED consequences resulting from adoption of a general imposition approach WHEN CONSIDERING THE APPROPRIATE TAX POLICY FOR DIGITAL PRODUCTS. Other Committee members expressed concerns of diminishing revenues from adoption of a specific imposition approach WHEN CONSIDERING THE APPROPRIATE TAX POLICY FOR DIGITAL PRODUCTS. These issues prevented consensus on a specific tax policy proposal.

The Committee believes consensus for future legislation adopting a ~~general~~ BROAD imposition approach to the taxation of digital products is possible, but only if such legislation:

- Contains COMPREHENSIVE ~~sufficient~~ and easily administered broad-based business exemptions for digital products;
- Provides sales and use tax amnesty to taxpayers who failed to pay and/or collect tax on digital products for prior periods;
- Maintains conformity with the SSUTA definitions; and
- Protects and promotes the location of server farms and data centers in Washington.

The Department appreciates the opportunity to work with the Study Committee members and looks forward to continuing to support the members' efforts to find common ground in this area before the upcoming legislative session.