
Finance Committee

HB 1387

Brief Description: Repealing nonresident exemptions from tax on retail sales.

Sponsors: Representatives Wallace, Ormsby, Moeller and Flannigan.

Brief Summary of Bill

- Repeals certain sales tax exemptions for purchases made by nonresidents.

Hearing Date: 2/3/09

Staff: Jeff Mitchell (786-7139)

Background:

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 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 tangible personal property and some services when used in this state. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 2.4 percent, depending on the location. The average local tax rate is 2 percent, for an average combined state and local tax rate of 8.5 percent.

Washington law provides a number of sales tax exemptions for purchases made by nonresidents. These various sales tax exemptions include: (1) an exemption for tangible personal property purchased by a nonresident residing in a state with a sales tax rate below 3 percent or a state that provides Washington residents with an exemption; (2) an exemption for tangible personal property incorporated into machinery or other personal property during the installing, repairing, or improving of the machinery or other personal property if the property is delivered to the buyer outside the state; (3) an exemption for farming machinery and equipment and repair services if the machinery or equipment is immediately transported outside the state; and (4) an exemption

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for sales to residents of Alaska, Hawaii, and United States possessions and territories if the seller delivers the property to an in-state receiving terminal for immediate export.

Summary of Bill:

Four sales tax exemptions for purchases made by nonresidents are repealed. The repealed exemptions are: (1) an exemption for tangible personal property purchased by a nonresident residing in a state with a sales tax rate below 3 percent or a state that provides Washington residents with an exemption; (2) an exemption for tangible personal property incorporated into machinery or other personal property during the installing, repairing, or improving of the machinery or other personal property if the property is delivered to the buyer outside the state; (3) an exemption for farming machinery, equipment, and repair services if the machinery or equipment is immediately transported outside the state; and (4) an exemption for sales to residents of Alaska, Hawaii, and United States possessions and territories if the seller delivers the property to an in-state receiving terminal for immediate export.

The repealed sales tax exemptions do not include sales of boats or motor vehicles to nonresidents. These items are exempt under separate provisions of law.

Appropriation: None.

Fiscal Note: Available

Effective Date: October 1, 2009