

HOUSE BILL REPORT

HB 1604

As Reported by House Committee On: Finance

Title: An act relating to reducing the frequency of local sales and use tax changes.

Brief Description: Reducing the frequency of local sales and use tax changes.

Sponsors: Representatives Angel, Springer, Nealey, Blake, Orcutt, Smith and Ryu.

Brief History:

Committee Activity:

Finance: 2/18/13, 2/25/13 [DPS].

<p>Brief Summary of Substitute Bill</p> <ul style="list-style-type: none">• Reduces the frequency of local sales and use tax changes from four times a year to twice a year.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Carlyle, Chair; Tharinger, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Fitzgibbon, Hansen, Lytton, Pollet, Reykdal, Springer, Vick and Wilcox.

Staff: Dominique Meyers (786-7150).

Background:

Sales and Use Tax.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use taxes apply to the value of property, digital product, or service when used in this state. The state, most cities, and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.0 percent, depending on the location.

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.

Local Sales Tax Changes.

In general, local sales and use tax changes can take effect no sooner than 75 days after the Department of Revenue (DOR) receives notice of the change and only on the first day of January, April, July, or October.

A local sales and use tax that is a credit against the state tax can take effect no sooner than 30 days after the DOR receives notice and only on the first day of a month.

Summary of Substitute Bill:

Local sales and use tax changes can only be made on the first day of January, April, or July. The DOR must still receive notice 75 days prior to the change.

Substitute Bill Compared to Original Bill:

The substitute bill added an additional month, April, to the allowable months a local jurisdiction can make changes to the local sales and use taxes; therefore reducing the frequency of a local sales and use tax change from four times per year to three times per year.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) It is an administrative burden for businesses to have to change their systems four times per year. This would limit the burden to businesses in Washington and was one of the recommendations from the business community in the Tax Simplification report published by the Governor's office last year. The burden on employers is real, especially since destination sourcing. Changing the number of times sales tax rate changes can be made will reduce the burden for businesses in Washington without any impact to state revenues. This would also make it easier for businesses to keep accounting systems up to date.

(With concerns) Only allowing local sales tax changes twice a year could be an issue for annexed areas that would be required to wait to impose local sales taxes. The challenge is that the DOR needs 75-days notice for a change, so an election in November means that the tax rate could not change until July. A compromise allowing sales tax rate changes three times a year would be less of an impact to local jurisdictions.

(Opposed) None.

Persons Testifying: (In support) Representative Angel, prime sponsor; and Amber Carter, Association of Washington Business.

(With concerns) Victoria Lincoln, Association of Washington Cities.

Persons Signed In To Testify But Not Testifying: None.