

SENATE BILL REPORT

SB 5631

AS REPORTED BY COMMITTEE ON GOVERNMENT OPERATIONS,  
FEBRUARY 17, 1993

**Brief Description:** Exempting certain impact fees from sales and use taxation.

**SPONSORS:** Senators Fraser and Haugen

**SENATE COMMITTEE ON GOVERNMENT OPERATIONS**

**Majority Report:** Do pass.

Signed by Senators Haugen, Chairman; Drew, Vice Chairman; Loveland, Oke, Owen, von Reichbauer, and Winsley.

**Staff:** Katie Healy (786-7784)

**Hearing Dates:** February 16, 1993; February 17, 1993

**BACKGROUND:**

When determining retail sales tax, "selling price" is defined as the consideration paid by a buyer to a seller without certain deductions. This does not include the amount of cash discount actually taken by a buyer. "Value of the article used," when used to determine use tax, is defined as the consideration paid by the purchaser to the seller for articles of taxable tangible personal property.

Impact fees are imposed to ensure that adequate facilities are available to serve new growth and development, to guarantee that new developments pay a proportionate share of the cost of new facilities needed to serve new growth and development, and to ensure that such fees are imposed through established criteria so that specific developments do not pay arbitrary or duplicative fees for the same impact.

There is concern about a tax being imposed on the impact fee and then being passed on to the buyer.

**SUMMARY:**

Neither the selling price or the value of the article used includes amounts passed on to the buyer representing impact fees paid by the seller for development activity in the construction, repairing, or improving of new or existing buildings or other structures.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** requested February 8, 1993

**TESTIMONY FOR:**

The impact of the sales tax on top of paying impact fees when building a home was not contemplated initially. When a home is custom built, the impact fee is included in the price and the tax applied at the bottom of the list. Essentially, this becomes a tax on a fee.

**TESTIMONY AGAINST:** None

**TESTIFIED:** PRO: Senator Fraser; Stan Finkelstein, AWC; Jim Halstrom, Master Builders Assn. of King & Snohomish Counties; Dick Duchane, Builders Assn. of Washington