

# HOUSE BILL REPORT

## ESHB 1327

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### As Amended by the Senate

**Title:** An act relating to reimbursing sellers for sales tax collection costs.

**Brief Description:** Reimbursing sellers for sales tax collection costs.

**Sponsors:** By House Committee on Finance (originally sponsored by Representatives Huff, Carrell, Quall, Mulliken, Morris, Linville, Ogden, Dunshee, B. Thomas, Johnson, Conway, Sheldon, Grant, Mastin, D. Schmidt, Robertson, Kessler, Skinner, Boldt, Lisk, Mielke, Dickerson, L. Thomas, O'Brien, Hatfield, Kenney, Gardner, Cooke, Costa, Ballasiotes, Thompson, Koster, Lantz, Mason, Schoesler, Dunn, Alexander and Anderson).

**Brief History:**

**Committee Activity:**

Finance: 2/18/97, 3/7/97 [DPS].

**Floor Activity:**

Passed House: 3/19/97, 92-5.

Senate Amended.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Dunshee, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Boldt; Butler; Conway; Kastama; Mason; Morris; Pennington; Schoesler and Van Luven.

**Staff:** Linda Brooks (786-7153).

**Background:** The sales tax is imposed on retail sales of most items of tangible personal property and some services. The state tax rate is 6.5 percent and is applied to the selling price of the article or service. In addition, local sales taxes apply. The total tax rate is between 7 percent and 8.6 percent, depending on location. Sales tax applies when items are purchased at retail in state. Sales tax is paid by the purchaser and collected by the seller.

**Summary of Bill:** Businesses are allowed to retain 1.05 percent of state retail sales tax collected from consumers on the first \$40,000 of retail sales per month. In

addition, businesses are allowed to retain 0.50 percent of the state retail sales tax collected from consumers on retail sales greater than \$40,000 per month but less than \$700,000 per month. The amounts retained serve as reimbursement to the retailers for administrative costs incurred in collecting sales taxes.

Businesses may not retain any percentage of tax collected on sales of \$700,00 or more per month. Also, contractors and other selling services to construct or modify real property may not retain any percentage of sales tax collected on their sales.

**EFFECT OF SENATE AMENDMENT(S):**

First \$40,000 of Monthly Retail Sales: Reduced percentage of state sales tax that businesses are allowed to retain from 1.05 percent to 1 percent.

Monthly Retail Sales in Excess of \$40,000: Kept percentage at 0.50 percent but reduced the monthly cap from \$700,000 to \$120,000. As a result, businesses cannot retain any percentage of sales tax collected on sales in excess of \$120,000/month.

Contractors: Broadened the scope of the bill to apply to any business making retail sales. The House version excluded contractors and other businesses selling services to construct or modify real property from eligibility.

Effective Date: Changed the effective date to July 1, 1997 from October 1, 1997.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on October 1, 1997.

**Testimony For:** This bill will provide compensation to retailers for performing a mandated function. Almost half of the state's revenues are generated by the retail sales tax, but no reimbursement mechanism exists to compensate retailers for their administrative costs incurred in collecting these taxes for the state. Furthermore, retailers pay tax on the full value of goods when sold, even if retailers have not been paid for the goods. Often goods are sold on credit, and retailers must advance the state sales tax on the full value of goods sold, despite the fact that customers may take several months to pay.

**Testimony Against:** None.

**Testified:** (Pro) Representative Huff, prime sponsor; Denis Timmerman, Harkness Furniture; Arthur Jackson, Jr., Washington Retail Association and the Bon Marche; Carolyn Logue, National Federation of Independent Business; Kit Hawkins,

Restaurant Association; and Jan Gee, Washington Retail Association.