

HOUSE BILL REPORT

ESHB 1327

As Passed Legislature

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.

House Concurred.

Passed Legislature.

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 may retain 1.00 percent of state retail sales tax collected from consumers on the first \$40,000 of retail sales per month. In addition, businesses may 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 or equal to \$120,000 per month. Businesses cannot retain any percentage of tax collected on sales exceeding \$120,000 per month. The amounts retained serve as reimbursement to the retailers for administrative costs incurred in collecting sales taxes.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 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.