

SENATE BILL REPORT

SB 5748

As Passed Senate, March 15, 1997

Title: An act relating to reducing the penalty for failure to file manufacturing machinery and equipment exemption certificates or annual summaries.

Brief Description: Reducing the penalty for failure to file manufacturing machinery and equipment exemption certificates or annual summaries.

Sponsors: Senators West and Spanel; by request of Department of Revenue.

Brief History:

Committee Activity: Ways & Means: 2/26/97, 2/27/97 [DP].
Passed Senate, 3/15/97, 47-0.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Bauer, Brown, Fraser, Hochstatter, Long, McDonald, Rossi, Schow, Snyder, Spanel, Swecker, Winsley and Zarelli.

Staff: David Schumacher (786-7474)

Background: The sales tax is imposed on the retail sales of most items of tangible personal property and some services. Use tax is imposed on the use of an item in this state, when the acquisition of the item has not been subject to sales tax. The combined state and local sales and use tax rate is between 7 percent and 8.6 percent, depending on location.

Until 1995, machinery and equipment used in manufacturing were subject to sales and use taxation. In 1995 and 1996, the Legislature enacted new sales and use tax exemptions for machinery and equipment used directly in manufacturing or research and development operations. The sales and use tax exemptions also apply to labor and service charges for installing, repairing, cleaning, altering, or improving the machinery or equipment.

To claim the exemption, the purchaser must provide an exemption certificate to the seller and provide a copy or a summary of exempt purchases to the Department of Revenue. A purchaser who does not comply with the documentation requirements is liable for the entire amount of the tax due.

Summary of Bill: A 10 percent penalty is established for failure to provide the appropriate documentation when an exempt purchase is made.

The penalty is in lieu of holding the purchaser liable for the entire amount of the exemption.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: There is a need to establish a penalty that is reasonable and fair to the business. This bill accomplishes that goal.

Testimony Against: None.

Testified: Jim Hedrick, DOR.