

SENATE BILL REPORT

SSB 6032

As Passed Senate, March 15, 1999

Title: An act relating to granting the department of revenue the authority to issue direct payment permits.

Brief Description: Granting the department of revenue the authority to issue direct payment permits.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Spanel, Honeyford and Gardner).

Brief History:

Committee Activity: Ways & Means: 3/1/99, 3/8/99 [DPS].
Passed Senate, 3/15/99, 47-0.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6032 be substituted therefor, and the substitute bill do pass.

Signed by Senators Loveland, Chair; Bauer, Vice Chair; Brown, Vice Chair; Fairley, Fraser, Honeyford, Kline, Kohl-Welles, Long, McDonald, Rasmussen, Roach, B. Sheldon, Snyder, Spanel, Thibaudeau, West, Winsley, Wojahn and Zarelli.

Staff: Terry Wilson (786-7433)

Background: The sales tax is paid on each retail sale of most articles of tangible personal property and certain services. Taxable services include construction, repair, telephone, lodging of less than 30 days, restaurant meals, physical fitness, and some recreation and amusement services. The use tax is imposed on the use of articles of tangible personal property when the sale or acquisition has not been subject to the sales tax. The use tax commonly applies to purchases made from out-of-state firms.

The state tax rate is 6.5 percent. Local sales and use taxes also apply. The local sales tax is imposed by the jurisdiction in which the sale occurs. The local use tax is imposed by the jurisdiction where the property is first used. The total state and local sales tax rate imposed is between 7 percent and 8.6 percent, depending on the location.

The sales tax must be collected by the seller from the buyer and is held in trust by the seller until paid to the Department of Revenue. The use tax must be collected from the buyer by a business that maintains in this state a place of business or a stock of goods, or engages in business activities within this state. In all other cases, the use tax must be paid by the user.

Taxpayers whose estimated tax liability is greater than \$4,800 a year are required to pay taxes by the 25th of each month for activity in the previous month. Taxpayers whose estimated tax liability is between \$4,800 and \$1,050 a year are required to pay quarterly.

Taxpayers whose estimated tax liability is less than \$1,050 a year are required to pay annually. Quarterly and annual taxpayers are required to pay taxes by the end of the month following the end of the reporting period.

Summary of Bill: The Department of Revenue is required to form an advisory committee consisting of representatives of local government and taxpayers to assist in the study of the effects of allowing persons to pay state and local sales and use taxes directly to the department rather than to the vendor.

A report of the department's findings must be made to the Legislature by December 31, 1999. If legislation is recommended, the proposals are to include criteria for granting and denying applications for permits. Any proposal must not affect local government revenues, burden vendors, or complicate department of revenue tax administration.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 1999.

Testimony For: DOR and taxpayers have been looking for ways to use technology to pay taxes more efficiently. 31 states have direct pay programs. This streamlines the process using computers. It protects vendors because they are not liable. It simplifies tax administration. The study is important because of the complexities of Washington's sales tax law.

Testimony Against: None.

Testified: Mark Gilmour, ALCOA, AWB (neutral with concerns); Ron Rosenblum, AWC (pro).