Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Finance Committee

HB 2380

Brief Description: Providing relief for businesses for streamlined sales and use tax agreement compliance costs.

Sponsors: Representatives Ericks, Orcutt and Hunter.

Brief Summary of Bill

- Provides monetary relief to small businesses for costs associated with the Streamlined Sales and Use Tax Agreement.

Hearing Date: 3/12/07

Staff: Jeff Mitchell (786-7139).

Background:

An effort was started in early 2000, by the Federation of Tax Administrators, the Multistate Tax Commission, the National Conference of State Legislatures, and the National Governors Association to simplify and modernize sales and use tax collection and administration nation-wide. The effort is known as the Streamlined Sales Tax Project (SSTP).

In 2002, the Legislature adopted the Simplified Sales and Use Tax Administration Act, which authorized the Department of Revenue (DOR) to be a voting member in the SSTP. Many other states have also authorized such participation, and representatives have met to develop an agreement to govern the implementation of the SSTP. This agreement, called the Streamlined Sales and Use Tax Agreement (SSUTA), was adopted by 34 states and Washington, D.C., in November 2002.

Under the SSUTA, sellers are authorized to designate an agent, referred to as a certified service provider (CSP), to register the seller with the state and perform all the seller's sale and use tax functions.

Substitute Senate Bill 5089 (2007), signed into law March 22, conforms Washington law with the SSUTA. The legislation includes relief for in-state sellers impacted by the change to destination

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sourcing. To qualify for relief, the seller must meet several requirements. The seller must: in calendar year 2008, have gross income less than $500,000 and have a physical presence in the state; have at least 5 percent of sales derived from shipping property to locations away from its place of business; have at least 1 percent of sales derived from shipments to multiple jurisdictions; and as of July 1, 2008, be registered with DOR. A qualifying in-state seller may choose one of two options. A seller may: use a CSP for up to two years at no cost to the taxpayer, or claim a tax credit, not to exceed $1,000. A credit may be claimed until used.

Summary of Bill:

Relief is provided for additional in-state sellers for costs associated with the sourcing changes in the SSUTA. To qualify for relief, the seller must meet several requirements. The seller must: in calendar year 2007, have gross income between $500,000 and $3,000,000 and have a physical presence in the state; have at least 95 percent of sales derived from shipping property to jurisdictions other than the jurisdiction in which the taxpayer has his or her main physical location; and as of July 1, 2008, be registered with DOR. A qualifying in-state seller may choose one of two options. A seller may: use a certified service provider for up to one year at no cost to the taxpayer, or claim a tax credit, not to exceed $1,000. Sellers must use the credit by July 1, 2009.

Appropriation: None.

Fiscal Note: Requested on March 26, 2007.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.