
Finance Committee

HB 3138

Brief Description: Providing tax relief for property damaged as a result of a natural disaster.

Sponsors: Representatives DeBolt, Williams, Kessler, Hunt, Blake, Alexander, Bailey, Sullivan, Pearson, Kristiansen, Roach, VanDeWege, Haler, Kelley, Dunn, Kretz, Ross, Kenney, Skinner, Herrera and Ormsby.

Brief Summary of Bill

- Provides sales/use tax exemption for construction and rebuilding of residential structures damaged by the December 2007 flooding.

Hearing Date: 2/12/08

Staff: Don Taylor (786-7388).

Background:

Washington's major tax is the state retail sales tax and its companion use tax. Together, these comprise approximately 47 percent of all state tax receipts. In addition, local sales/use taxes are a major source of revenue for cities, counties and other types of local taxing districts.

The sales tax applies to purchases for which the buyer actually uses the item or service (i.e., not for direct resale); use tax applies to items upon which the retail sales tax was not paid (e.g., items purchased out of state or from nonretail vendors). Most purchases of tangible personal property, including items used by businesses, are subject to the tax. Some services, such as contract construction or repair of tangible personal property, are subject to the tax; however, the majority of personal and profession services are not taxable. A variety of exemptions apply to certain types of goods - e.g., manufacturing machinery and motor vehicle fuel - or to specific types of purchasers.

The state levies a sales/use tax rate of 6.5 percent; local sales/use tax rates range from 0.5 to 2.4 percent. Starting in April, 2008 the highest combined rate in the state will be 9.0 percent.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Many counties in the state experienced severe flooding during the storms of early December, 2007. The damage was particularly heavy in Lewis County, but property in other Western Washington also sustained major damage. The Federal Emergency Management Agency designated ten counties as being eligible for disaster assistance: Clallam, Grays Harbor, King, Kitsap, Lewis, Mason, Pacific, Snohomish, Thurston and Wahkiakum.

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Appropriation: None.

Fiscal Note: Requested on February 11, 2008.

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