

HOUSE BILL REPORT

HB 3138

As Reported by House Committee On:
Finance

Title: An act relating to providing tax relief for property damaged as a result of a natural disaster.

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 History:

Committee Activity:

Finance: 2/12/08 [DPS].

Brief Summary of Substitute Bill

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

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Conway, Ericks, McIntire, Roach and Santos.

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.

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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 professional 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 percent.

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 counties also sustained major damage. The Federal Emergency Management Agency designated 10 counties as being eligible for disaster assistance: Clallam, Grays Harbor, King, Kitsap, Lewis, Mason, Pacific, Snohomish, Thurston, and Wahkiakum.

Summary of Substitute Bill:

New short-term exemptions from state retail sales/use tax are provided for construction, repair, or rebuilding of residences or related structures damaged by flooding in December 2007. The exemption covers tangible personal property and installation labor and services for homes and related structures located in a county that was designated as a disaster area by the President. Each eligible person is limited to exemption on a maximum expenditure of \$200,000 (i.e., \$13,000 in state retail sales/use tax).

The exemptions expire on June 30, 2009.

Substitute Bill Compared to Original Bill:

Adds a statement of legislative intent that the sales tax exemption be provided to individuals who have already paid sales tax on eligible repairs, prior to the effective date of the bill.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

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

Staff Summary of Public Testimony:

(In support) Officials from Lewis County testified on the severity of damage resulting from the December storms. The sales/use tax exemption will help homeowners to get back on their feet, and the financial assistance will help them make the repairs necessary to restore their residences.

(Opposed) None.

Persons Testifying: Representative DeBolt, prime sponsor; Chip Elliott, Lewis County Fire Department 16; and Dianne Dorey, Lewis County Economy and Development Council.

Persons Signed In To Testify But Not Testifying: None.