

FINAL BILL REPORT

SB 6173

C 563 L 09
Synopsis as Enacted

Brief Description: Improving sales tax compliance.

Sponsors: Senator Prentice.

Senate Committee on Ways & Means
House Committee on Finance

Background: Under current law, persons purchasing goods or services for resale are exempt from the retail sales tax if they provide the seller with a resale certificate. The resale certificate is a document or combination of documents that substantiates the wholesale nature of a sale. Resale certificates are not issued by the Department of Revenue (Department), but can be obtained from the Department's website. When a buyer fills out a resale certificate, among the information they need to supply is their name and unified business identifier or business registration number. The seller retains the resale certificate as evidence of the tax exempt sale.

Purchases of materials by contractors performing construction for consumers (custom construction) where the materials will become part of the completed project, are purchases for resale (wholesale purchases). Such purchases are not subject to retail sales tax. Such contractors may also purchase subcontractor services for resale. To verify that material purchases and subcontractor services are for resale, a contractor must give a valid resale certificate to the materials supplier or subcontractor. This tax treatment also applies to subcontractors working on custom construction projects.

Speculative contractors (spec construction) may not purchase materials that will become part of the project for resale and must pay sales tax. This is the same for the subcontractors that work for them. They are the end consumer of the materials or services and thus have to pay sales tax on these purchases.

Summary: Beginning January 1, 2010, the requirement for a resale certificate to make purchases for resale exempt of the sales tax is eliminated and replaced with a seller's permit. The seller's permit will be issued by the Department to businesses registered with the Department if the business makes wholesale purchases. This will be determined based generally on industry type and reporting history. Businesses that do not make wholesale purchases as part of their business will not be issued a sellers permit.

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.

Permits issued to taxpayers who register with the Department after January 1, 2009, are valid for two years and may be renewed for four years. Permits issued to taxpayers who registered with the Department on or before January 1, 2009, are valid for four years.

Custom contractors may receive a sellers permit valid for one year. They must reapply for a permit each year.

Businesses seeking a new seller's permit or to renew or reinstate a seller's permit must apply to the Department. The Department must rule on applications within 60 days.

The Department will develop a database for businesses to voluntarily verify an eligible seller's permit.

The House Finance Committee and the Joint Task Force on the Underground economy must each review the issues and concerns created by the act and provide reports to the Legislature by December 1, 2009.

Votes on Final Passage:

Senate	26	21	
House	86	9	(House amended)
Senate	30	19	(Senate concurred)

Effective: January 1, 2010