

# HOUSE BILL REPORT

## HB 2822

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### As Passed Legislature

**Title:** An act relating to local sales and use tax account deposits and distributions.

**Brief Description:** Concerning local sales and use tax account deposits and distributions.

**Sponsors:** Representative Hunter; by request of Governor Gregoire and State Treasurer.

#### Brief History:

##### Committee Activity:

Ways & Means: 4/4/12 [DP].

##### First Special Session

##### Floor Activity:

Passed House: 4/5/12, 82-15.

Passed Senate: 4/10/12, 42-5.

Passed Legislature.

#### Brief Summary of Bill

- Requires the local share of retail sales and use taxes be transferred from the State General Fund into the Local Sales and Use Tax Account on a monthly basis rather than on a daily basis.
- Requires any foregone interest that otherwise would have accrued to the Local Sales and Use Tax Account be replaced by a transfer from the State General Fund.

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#### HOUSE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass. Signed by 15 members: Representatives Hunter, Chair; Darneille, Vice Chair; Hasegawa, Vice Chair; Carlyle, Cody, Dickerson, Hudgins, Hunt, Kagi, Kenney, Ormsby, Pettigrew, Seaquist, Springer and Sullivan.

**Minority Report:** Do not pass. Signed by 10 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Chandler, Haler, Parker, Ross, Schmick and Wilcox.

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*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.*

**Staff:** Dave Johnson (786-7154).

**Background:**

Retail sales and use taxes are imposed by the state, most cities, all counties, and by some special purpose districts. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and digital products and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the property, digital products, or services were acquired by the user, then use taxes apply to the value of most tangible personal property and digital products and some services when used in this state. Sales and use taxes imposed by the state and local governments are collected by the Department of Revenue (DOR).

Taxpayers remitting sales and use taxes typically file returns with the DOR monthly. Those taxes are initially deposited into the State General Fund. The next day, the local share of those taxes, minus a 1 percent administrative fee, is transferred from the State General Fund to the Local Sales and Use Tax Account. The Local Sales and Use Tax Account retains its own interest.

At the end of following month, these collected moneys, along with interest earnings, are then distributed by the State Treasurer to local governments.

**Summary of Bill:**

Beginning January 1, 2013, the Department of Revenue will deposit the local share of retail sales and use taxes into the Local Sales and Use Tax Account on a monthly basis on the last business day of the month in which the distributions to local governments are made.

The State Treasurer must transfer an amount equal to any foregone interest from the State General Fund to the Local Sales and Use Tax Account and must also distribute the interest to impacted entities (counties, cities, transportation authorities, public facilities districts, public transportation benefit areas, regional transportation investment districts, and transportation benefit districts).

**Appropriation:** None.

**Fiscal Note:** Requested on April 3, 2012.

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

**Staff Summary of Public Testimony:**

(In support) Necessity requires us to take a look at our processes. This is a good modernization effort and is similar to what private business already do. This would not impact the timing and distribution of revenues to local governments. The interest provision is an important part of the bill. Even though interest rates are currently low, that is not always the case. This is an excellent solution that will help avoid budget cuts.

(Opposed) None.

**Persons Testifying:** Wolfgang Opitz, Office of the State Treasurer; Julie Murray, Office of Financial Management; Amber Carter, Association of Washington Business; Scott Merriman, Washington State Association of Counties; Nick Federici, Rebuilding Our Economic Future Coalition; and Victoria Lincoln, Association of Washington Cities.

**Persons Signed In To Testify But Not Testifying:** None.