

SENATE BILL REPORT

SB 6061

As of January 25, 2012

Title: An act relating to changing the nonresident sales tax exemption into a refund program.

Brief Description: Changing the nonresident sales tax exemption into a refund program.

Sponsors: Senators Pflug and Murray.

Brief History:

Committee Activity: Ways & Means: 1/25/12.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305)

Background: Retail sales and use taxes are imposed by the state, cities, and counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property, 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, digital products, and some services when used in this state.

A sales tax exemption is allowed to residents of a state, possession, or Canadian province that does not impose a retail sales tax, use tax, value added tax, gross receipts tax on retailing activities, or similar generally applicable tax of 3 percent or more on purchases of goods for use outside the state. The exemption does not apply to items or services consumed in the state such as hotel stays or meals at restaurants. Retailers are not required to make tax-exempt sales to qualifying nonresidents. A vendor may choose to collect sales tax on purchases made by qualifying nonresidents or to sell merchandise tax free.

Acceptable proof of a nonresident person's status includes one piece of identification such as a valid driver's license from the jurisdiction in which the out-of-state residency is claimed or a valid identification card which has a photograph of the holder and is issued by the out-of-state jurisdiction. Identification must show the holder's residential address and have as one of its legal purposes the establishment of residency in that out-of-state jurisdiction.

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.

Summary of Bill: Residents of states, possessions, or Canadian provinces that are currently exempt from state sales tax must pay the sales tax at the time of purchase. Instead of being exempt, they may request a refund from the Department of Revenue (DOR) for the state portion of the sales tax paid. The local portion is not refundable. Beginning each January, a refund request may be made for purchases made the previous year. Only one refund request may be made by a person per calendar year. Refunds do not include interest.

A request for a refund:

- must be made electronically;
- must include the applicant's proof of nonresident status and any other documentation and information DOR may require; and
- must be greater than \$25.

Any person making fraudulent statements to DOR, including fraudulent identification or sales tax receipts, is guilty of perjury.

Any person requesting a remittance refund by providing identification or sales documents that are not their own is guilty of a misdemeanor and will be ineligible for any future refunds.

Appropriation: None.

Fiscal Note: Available.

[OFM requested ten-year cost projection pursuant to I-960.]

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2012