
Higher Education Committee

HB 2640

Brief Description: Creating a sales tax holiday for school instructional material for higher education students.

Sponsors: Representatives Riccelli, Zeiger, Farrell, Seaquist, Orcutt, Pollet, Buys, Parker, Haler, Gregerson, MacEwen, Morrell, Bergquist, Ormsby and Freeman.

Brief Summary of Bill

- Creates an exemption to the 6.5 percent sales tax levied for sales of school instructional materials for personal or nonbusiness use.
- Provides that the exemption only applies to purchases made on certain days in August and September.
- Allows a seller to either make tax exempt retail sales or collect and remit the sales tax to the State.
- Provides that the use tax provisions do not apply to the personal or nonbusiness use of school instructional materials.

Hearing Date: 2/5/14

Staff: Megan Wargacki (786-7194).

Background:

Taxes may be levied by federal, state, or local governments. There are many types of taxes, including sales tax, use tax, income tax, business and occupation tax, and property tax. Washington levies and collects a 6.5 percent tax on most retail sales of goods, services, and extended warranties.

A tax preference is an exemption, exclusion, or deduction from a state tax. A tax holiday is a tax exemption, usually applying to certain items or services for a limited period of time. Tax preferences may be created by the Legislature to, among other things, induce designated

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.

behavior by taxpayers, create or retain jobs, reduce structural inefficiencies in the tax structure, or provide tax relief for certain businesses or individuals.

Washington state signed onto the Streamlined Sales and Use Tax Agreement on July 1, 2008. The purpose of this agreement is to simplify and modernize sales and use tax collection and administration by retailers and states.

Washington state subsidizes student tuition at state colleges and universities. For 2013-15 the state budget includes tuition subsidies of 38 percent of all student tuition at the four-year institutions and 34 percent of all student tuition at the community colleges.

Summary of Bill:

An exemption to the 6.5 percent tax levied on the retail sale certain goods is created for sales of school instructional materials for personal or nonbusiness use. "School instructional materials" means any written materials commonly used by a student in a course of study as a reference and to learn the subject being taught, including reference books, reference maps and globes, textbooks, and workbooks.

This exemption only applies to purchases made on the second adjacent Friday, Saturday, and Sunday in August and the third adjacent Friday, Saturday, and Sunday in September.

A seller is not required to make tax exempt retail sales of school instructional materials at these times, rather a seller can make sales of school instructional materials during these time periods, collect the sales tax, and remit the amount of sales tax collected to the state.

For sellers who electronically file their taxes, the Department of Revenue must provide a separate tax reporting line for exemption amounts claimed under this exemption.

The use tax provisions do not apply to the personal or nonbusiness use of school instructional materials.

This act expires July 1, 2019.

Appropriation: None.

Fiscal Note: Requested on February 4, 2014.

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