

# HOUSE BILL REPORT

## SSB 5697

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### As Reported by House Committee On: Finance

**Title:** An act relating to reducing the frequency of local sales and use tax changes.

**Brief Description:** Reducing the frequency of local sales and use tax changes.

**Sponsors:** Senate Committee on Trade & Economic Development (originally sponsored by Senators Braun, Carrell, Dammeier, Rivers and Sheldon).

#### **Brief History:**

##### **Committee Activity:**

Finance: 3/25/13, 4/1/13 [DPA].

#### **Brief Summary of Substitute Bill (As Amended by Committee)**

- Reduces the frequency of local sales and use tax changes from four times per year to three times per year.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass as amended. Signed by 13 members: Representatives Carlyle, Chair; Tharinger, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Fitzgibbon, Hansen, Lytton, Pollet, Reykdal, Springer, Vick and Wilcox.

**Staff:** Dominique Meyers (786-7150).

#### **Background:**

##### Sales and Use Tax.

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 user acquired the property, digital products, or services, then use taxes apply to the value of property, digital product, or service when used in this state. The state, most cities, and all

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counties levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.0 percent, depending on the location.

Local Sales Tax Changes.

In general, local sales and use tax changes can take effect no sooner than 75 days after the Department of Revenue (DOR) receives notice of the change and only on the first day of January, April, July, or October.

A local sales and use tax that is a credit against the state tax can take effect no sooner than 30 days after the DOR receives notice and only on the first day of a month.

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**Summary of Amended Bill:**

Local sales and use tax changes can only be made on the first day of January, April, or July. The DOR must still receive notice 75 days prior to the change.

**Amended Bill Compared to Substitute Bill:**

The substitute bill adds one more month to the allowable months a local jurisdiction can make changes to the local sales and use tax rates and switches the month of October for January and July. This reduces the frequency a local sales tax rate change can occur from four times in current law to three times per the substitute bill.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) This is a very simple bill and changes the number of sales tax rate changes from four times per year to two times per year. It does not change any revenues for the state. It simply gives businesses a relief in administrative burden with limiting the number of possible changes they need to make in their systems every year. The number of changes that occur can be very disruptive for businesses when changing their accounting systems.

(With concerns) The problem with allowing only two options for local sales tax changes is that after a local election, any possible changes can be delayed for up to eight months. One of the biggest challenges is the 75-day notice to the DOR. Until that issue can be addressed, local jurisdictions still need the option for sales tax changes three times per year instead of two.

(Opposed) None.

**Persons Testifying:** (In support) Senator Braun, prime sponsor; and Amber Carter, Association of Washington Business.

(With concerns) Victoria Lincoln, Association of Washington Cities.

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