

# SENATE BILL REPORT

## SB 5529

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As Reported by Senate Committee On:  
Trade & Economic Development, February 21, 2013

**Title:** An act relating to creating a sales tax holiday for back-to-school clothing and supplies.

**Brief Description:** Creating a sales tax holiday for back-to-school clothing and supplies.

**Sponsors:** Senators Rivers, Harper, Benton, Cleveland, Hobbs, Padden, Holmquist Newbry, Kohl-Welles, Shin and McAuliffe.

**Brief History:**

**Committee Activity:** Trade & Economic Development: 2/14/13, 2/21/13 [DP-WM, w/oRec].

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### SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

**Majority Report:** Do pass and be referred to Committee on Ways & Means.

Signed by Senators Braun, Chair; Smith, Vice Chair; Chase, Ranking Member; Baumgartner, Holmquist Newbry and Shin.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Schlicher.

**Staff:** Edward Redmond (786-7471)

**Background:** Sales tax is imposed on retail sales of most items of tangible personal property and some services. The use tax is imposed on the same privilege of using tangible personal property or services in instances where the sales tax does not apply. Sales taxes are levied by the state, counties, and cities, and total rates vary from 7 to 10 percent. The use tax is paid directly to the Department of Revenue.

**Summary of Bill:** A back-to-school sales tax holiday is created. The tax holiday is for clothing items with a value of less than \$100 each and for school supplies with a value of less than \$10 each. Clothing item is defined as human wearing apparel typically worn by elementary, secondary, or postsecondary students in the classroom or for school-related activities. School supply item is defined as an item commonly used by a student in a course of study.

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The back-to-school sales tax holiday applies to purchases on the second adjacent Friday, Saturday, and Sunday of August each year. A seller is not obligated to collect the sales tax for such purchases and is exempt from the equivalent use tax attributed to such sales.

The Joint Audit and Review Committee must conduct an economic impact study of the sales tax holiday to the fiscal committees of the Legislature by December 1, 2015. The study must evaluate the direct, indirect, and induced economic impacts of the exemption and their impact on the state general fund tax revenues.

The back-to-school sales tax holiday expires July 1, 2016.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill takes effect on August 1, 2013.

**Staff Summary of Public Testimony:** PRO: There is a stream of traffic that travels across our state border to do tax-free shopping in Oregon. It is like black Friday in August, but only for Oregon. The comments regarding comparisons to Georgia is questionable since Georgia does not border a tax-free state. This bill provides an opportunity for the retailers in our state to employ more people, provide goods and services, and bring in more retail business so that they can then add more B&O sales tax to our existing tax structure. Macy's is for a sales tax holiday in Washington because our store managers tell us that this creates customer excitement which result in increased sales. This is good for retailers, consumers, and the state. The National Federation of Independent Business (NFIB) is in support of this bill. Instead of seeing the retail sales dollars go to Oregon, we should try to keep those dollars here in Washington State. This bill has a three-year trial period to determine if it works electronically. The Association of Washington Business is in support of this bill. It has a limited scope, with a limited time frame, and a potential for economic development benefits to our state.

**Persons Testifying:** PRO: Senator Rivers, prime sponsor; Mark Johnson, WA Retail Assn.; Chuck Miller, Macy's; Patrick Connor, NFIB; Amber Carter, Assn. of WA Business.