

SENATE BILL REPORT

ESSB 5697

As Passed Senate, January 29, 2014

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: Trade & Economic Development: 2/12/13, 2/19/13 [DPS].
Passed Senate: 3/11/13, 36-11; 1/29/14, 39-10.

SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 5697 be substituted therefor, and the substitute bill do pass.

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

Staff: Edward Redmond (786-7471)

Background: Washington and 45 other states impose retail sales and use taxes. These taxes are imposed on the retail sale or use of most items of tangible personal property and some services. The rates, definitions, and administrative provisions relating to sales and use taxes vary greatly among the 7500 state and local taxing jurisdictions.

Streamlined Sales Tax. In 2007, the state adopted full compliance with the national Streamline Sales and Use Tax Agreement (SSUTA); the effective date was July 1, 2008. The agreement is intended to make sales taxes more uniform throughout the country, thereby improving administration for tax collection agencies and compliance for taxpayers.

Local Sales Tax Changes. Currently 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 they may only be implemented on the first day of January, April, July, or October.

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 Engrossed Substitute Bill: A new definition for local sales and use tax change is added. Local sales and use tax change means enactment or revision of local sales and use taxes occurring in statute, including changes resulting from referendum or annexation.

Unless otherwise specified, a local sales and use tax change may take effect no sooner than 75 days after DOR receives notice of the change, and only on the first day of January, April, or July. If the local sales and use tax is a credit against the state sales or use tax, it may take effect no sooner than 30 days after DOR receives notice of the change, and only on the first day of a month.

Any local sales and use tax imposed on services applies to the first billing period commencing on or after the effective date of the increase, while a decrease to such tax imposed on services applies to bills rendered on or after the effective date of the decrease. For the purpose of this provision, services are defined as retail services such as installation, construction, and telecommunications, but does not include services such as tattooing.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: PRO: This is a simple bill. We are trying to cut in half the burden for employers when changing their systems to reflect current sales and use tax rates. The current sales and use tax system is too complex for small businesses and is continuing to grow. The last time the sales tax rate frequency was changed was in 2000. That change was in anticipation of the streamline sales and use tax agreement that was going to go into place for destination sourcing.

OTHER: In addition to cities, this bill applies to counties, transportation benefit districts, and public facilities districts. There are many circumstances that will have an effect on the bill: elections in November; adopting a budget in the fall that must be done before the first of the year; the Legislature making changes to the code that goes into effect by July first. Our statistics show that the January quarter is the most popular date but so is April. That is the bulk of when changes occur and have occurred since 2007. A few have occurred on July 1st and even a smaller number in October. The challenge would be if the voters made a change in November and you have to wait 75 days, that puts you into the April deadline. To only have January and July, a voter approved change would not take place until July. We would like to work with business on an alternative schedule.

Persons Testifying: PRO: Amber Carter, Assn. of WA Businesses; Judy Covert, Printcoln, Inc.

OTHER: Victoria Lincoln, Assn. of WA Cities.