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## Finance Committee

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### HB 1474

**Brief Description:** Providing tax relief to motorists by exempting certain mobile communications technology from retail sales and use tax.

**Sponsors:** Representatives Young, Orcutt, Irwin and Eslick.

<p style="text-align: center;"><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Provides a retail sales and use tax exemption for the purchases of hands-free wireless communications devices until December 31, 2019.</li></ul>
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**Hearing Date:** 2/7/19

**Staff:** Tracey O'Brien (786-7152).

**Background:**

Retail 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 tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities 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 3.9 percent, depending on the location.

Tax Preference Performance Statement.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative

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Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

Washington State Distracted Driving Law.

The Washington State Driving Under the Influence of Electronics Act was enacted in 2017. The law prohibits drivers from using hand-held cellphones while they are driving, stopped in traffic, or at a stop light. However, these restrictions do not apply if the driver is contacting emergency services.

The penalty for the first ticket is at least \$136 and a second ticket within 5 years has a penalty of at least \$234.

**Summary of Bill:**

Sales of hands-free wireless communication devices are exempt from retail sales and use tax until December 31, 2019. A "hands-free wireless communication device" is defined as a device that is specifically designed and configured to allow voice-operated and hands-free operation.

The requirements of a TPPS, a JLARC review and the automatic 10-year expiration do not apply.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.