

FINAL BILL REPORT

EHB 1948

FULL VETO

Synopsis as Enacted

Brief Description: Supporting warehousing and manufacturing job centers.

Sponsors: Representatives Entenman, Stokesbary, Sullivan, Senn, Chambers, Ramos, Callan and Graham.

House Committee on Finance
Senate Committee on Ways & Means

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 the 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.

Nexus.

Nexus is required before a taxing jurisdiction can impose taxes on an entity. In the case of retail sales taxes, nexus is necessary in determining whether an out-of-state business selling products into a state is liable for the collection of retail sales taxes for that state. As the result of a United States Supreme Court decision, Washington adopted requirements imposing retail sales tax collection requirements, as well as business and occupation tax obligations, on out-of-state sellers.

Streamlined Sales and Use Tax Agreement.

In 2007 legislation was enacted fully adopting the Streamlined Sales and Use Tax Agreement (SSUTA).

The SSUTA includes provisions for determining where a sale is deemed to occur for local sales and use tax purposes. As part of the legislation, the Streamlined Sales and Use Tax Mitigation Account was created to mitigate the effect of the change in sourcing rules to negatively impacted local jurisdictions. Each July 1, the State Treasurer must transfer an

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amount determined by the Department of Revenue (DOR) to fully mitigate negatively impacted local jurisdictions. The DOR determined each local jurisdiction's annual losses. Distributions were made quarterly representing one-fourth of a jurisdiction's annual loss less voluntary compliance revenue from the previous quarter.

In 2017 the Legislature repealed local mitigation payments, effective October 1, 2019. Until that time, payments were to be adjusted to reflect the impact of marketplace fairness on local tax revenues and were made only to cities, counties, and public facilities districts. Selected jurisdictions may qualify for mitigation payments under the 2019-2021 biennial operating budget.

Summary:

Qualified local taxing districts negatively impacted by the SSUTA may receive annual mitigation payments each July 1. To qualify, a local taxing district must be a city and have received a mitigation payment of at least \$150,000 in calendar year 2018 from the Streamlined Sales and Use Tax Mitigation Account (Mitigation Account). In addition, the taxing district must continue to have local sales tax revenue loss due to the sourcing provisions in the SSUTA.

Beginning July 1, 2020, the DOR must calculate each qualified taxing district's annual loss. The annual loss is calculated by comparing at least 12 months of tax return data from before and after July 1, 2008. Each quarter, distributions are made from the Warehousing and Manufacturing Jobs Center Account (Account) created in this act. The distributions from the Account will be in an amount equal to one-fourth of the taxing district's annual loss. The DOR will reduce this amount by the voluntary compliance revenue and marketplace fairness revenue.

The program ends January 1, 2026.

Votes on Final Passage:

House	84	12	
Senate	42	7	(Senate amended)
House	83	14	(House concurred)