

# HOUSE BILL REPORT

## SB 5337

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**As Reported by House Committee On:**  
Local Government  
Finance

**Title:** An act relating to expanding a sales and use tax exemption for personal property sold between political subdivisions to include sales or uses of personal property as a result of a merger or sales or uses of personal property made under contractual consolidations in which the taxpayer that originally paid the sales or use tax continues to benefit from the personal property.

**Brief Description:** Expanding a sales and use tax exemption for personal property sold between political subdivisions to include sales or uses of personal property as a result of a merger or sales or uses of personal property made under contractual consolidations in which the taxpayer that originally paid the sales or use tax continues to benefit from the personal property.

**Sponsors:** Senators Takko and Holy.

**Brief History:**

**Committee Activity:**

Local Government: 3/19/19, 3/20/19 [DP];

Finance: 4/2/19, 4/4/19 [DP].

**Brief Summary of Bill**

- Exempts from sales and use taxes the transfer of property from one political subdivision to another political subdivision as a part of a merger.
- Exempts from sales and use taxes the transfer of property from one political subdivision to another political subdivision as a part of a contractual consolidation.

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### HOUSE COMMITTEE ON LOCAL GOVERNMENT

**Majority Report:** Do pass. Signed by 6 members: Representatives Pollet, Chair; Peterson, Vice Chair; Kraft, Ranking Minority Member; Griffey, Assistant Ranking Minority Member; Goehner and Senn.

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*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.*

**Staff:** Yvonne Walker (786-7841).

**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 product, or service, then use taxes apply to the value of the property, digital product, or service when used in the state. The state, cities, and all 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 depending on the location.

Annexation or Incorporation Exemption.

Generally, the sale of tangible personal property by one political subdivision to another political subdivision resulting from an annexation or incorporation, or the use of personal property resulting from (an annexation or incorporation) is exempt from sales and use taxes.

Tax Preference Performance Statements.

Unless explicitly exempt, every bill enacting a tax preference must include a tax preference performance statement. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. The performance statement must clearly specify the public policy objective of the tax preference and the specific metrics and data that will be used by the Joint Legislative Audit and Review Committee to evaluate the efficacy of the tax preference.

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**Summary of Bill:**

The sale or use of personal property resulting from a merger of two political subdivisions is exempt from sales and use taxes. Personal property sold by one political subdivision to another is also exempt from sales and use taxes if there is a contract allowing the taxpayers of the seller to continue benefiting from the use of the property.

This Act is exempt from tax preference performance statement requirements and expires January 1, 2030.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** 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 bill ensures that when two districts merge, this bill ensures there is no penalty of paying a tax twice on the same equipment. This bill just adds the words "mergers" and "contracts" to current law. Some small fire districts are not able to create a regional fire authority or annexation at this time so this impacts the equipment they use and will give them the opportunity to provide better services for their district.

(Opposed) None.

**Persons Testifying:** Senator Takko, prime sponsor; and Julie Hiatt, North Highline Fire District.

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

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## HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 13 members: Representatives Tarleton, Chair; Walen, Vice Chair; Orcutt, Ranking Minority Member; Young, Assistant Ranking Minority Member; Chapman, Frame, Macri, Morris, Orwall, Springer, Stokesbary, Vick and Wylie.

**Staff:** Richelle Geiger (786-7139).

### **Summary of Recommendation of Committee On Finance Compared to Recommendation of Committee On Local Government:**

No new changes were recommended.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** 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 bill will help smaller fire districts that cannot join regional fire authorities. Sales and use tax has been paid when the property is first acquired and should not be subject to the same tax twice. This is an amendment to a current sales and use tax exemption. This bill allows fire districts to use more money to provide community services.

(Opposed) None.

**Persons Testifying:** Julie Hiatt, North Highline Fire District.

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