

FINAL BILL REPORT

ESSB 5997

C 423 L 19

Synopsis as Enacted

Brief Description: Increasing revenues by revising tax preferences and enforcement processes.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Rolfes and Hunt).

Senate Committee on Ways & Means

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 products, or services, then use taxes apply to the value when used in this state. The state, most 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.

Sales to Nonresident from No or Low Sales Tax States. Retail sales tax does not apply to purchases of certain goods made by nonresidents for use outside of the state. Nonresidents includes persons from other states, possessions, or territories of the United States, or Canadian provinces or territories, that do not impose a sales, use, value-added, or similar tax at a rate of 3 percent or more.

The tax exemption applies to the purchases of tangible personal property, digital goods, digital codes, and certain parts or property installed by the seller while repairing, cleaning or altering motor vehicles, trailers, or campers in Washington. The tax exemption does not apply to retail services, such as lodging, cleaning or repair services, or amusement or recreational services, or items used or consumed in Washington, such as meals or beverages, goods sold to military personnel stationed in Washington, or goods sold to students attending school in the state. The nonresident buyer must provide to the seller valid picture identification or an authorized exemption certificate in order to make a tax exempt purchase.

Vehicle Registrations. New Washington residents, unless exempt, must obtain a valid Washington driver's license and register their vehicles within 30 days from the date they become residents. Exemptions include a person in the military, a nonresident driver, borrowed vehicles, or business vehicles.

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.

Failure to register a vehicle in Washington before operating it on the highways is a traffic infraction of \$529, and no part may be suspended or deferred. The avoided taxes and fees must be deposited and distributed in the same manner as if the taxes and fees were paid in a timely fashion.

Licensing a vehicle in another state by a resident of this state to evade the payment of any tax or license fee imposed in connection with registration is a gross misdemeanor punishable as follows:

- for a first offense, up to one year in the county jail and a fine of \$1,529, no part of which may be suspended or deferred; and
- for a second or subsequent offense, up to one year in the county jail and a fine of \$5,529, no part of which may be suspended or deferred.

The fines levied will be deposited in the Vehicle Licensing Fraud Account to be used only for vehicle license fraud enforcement and collections by the Washington State Patrol and the Department of Revenue.

Failure to register an aircraft or failure to register a vessel are gross misdemeanors. For a second or subsequent offense, the person is subject to a fine of four times the amount of avoided taxes and fees which may not be suspended or deferred.

Summary: Nonresident Sales Tax Remittance Program. The nonresident sales tax exemption is converted to a remittance program. Refunds may only be requested by nonresidents for the immediately preceding calendar year, and must be for at least \$25. In addition, a nonresident may only make one refund request per calendar year. The request must include proof of nonresident status as prescribed by the Department of Revenue. Penalties are created for making fraudulent statements or submitting fraudulent documents.

Deferred Finding Program. Any county may set up a deferred finding program for persons who receive a citation for failing to register a vehicle, an aircraft, or a vessel.

The citation must be dismissed if the person cited has paid a \$500 fine; has a valid Washington State driver's license; and registered the vehicle, aircraft, or vessel. If receipt of proof does not occur within 90 days of the citation, the county prosecutor must seek the full penalty. Fines generated pursuant to the deferred finding program must be used by the county for enforcement and prosecution of registration requirements.

A person must not have a previous citation nor participated in a program of deferred finding for failing to register a vehicle, an aircraft, or a vessel to be eligible for the deferred prosecution program.

Votes on Final Passage:

Senate	25	22
House	55	43

Effective: July 1, 2019