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## Finance Committee

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### HB 2018

**Brief Description:** Creating a three-day shop local and save sales and use tax holiday to benefit all Washington families for certain items \$1,000 or less during the month of September.

**Sponsors:** Representatives Paul, Rule, Bergquist, Bronoske, Chapman, Leavitt, Ramel, Ryu, Sutherland, Berg, Callan, Frame, Riccelli and Lekanoff.

<p><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Authorizes a shop local and save sales and use tax holiday for Labor Day Weekend 2022 for qualified items purchased by individuals.</li></ul>
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**Hearing Date:** 1/31/22

**Staff:** Tracey Taylor (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 4.0 percent, depending on the location.

Streamlined Sales and Use Tax Agreement.

The purpose of the Streamlined Sales and Use Tax Agreement (SSUTA) is to simplify and modernize sales and use tax administration in order to substantially reduce the burden of tax

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compliance. The SSUTA focuses on improving sales and use tax administration for all sellers and for all types of commerce in a number of ways, including by providing uniformity in state and local tax bases, simplification of state and local tax rates, uniformity in sourcing rules for all taxable transactions, simplified administration of exemptions. There are 24 states that are party to the SSUTA. In 2007, Washington fully adopted SSUTA.

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 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.

**Summary of Bill:**

The shop local and save sales and use tax holiday is created. The purchase of qualified items by an individual from September 3 through September 5, 2022, is exempt from sales and use taxes. Qualified purchases include the purchase of clothing, computers and related products, Energy Star qualified appliances, health care equipment, over-the-counter drugs, and school supply items. Each item must be priced at \$1,000.00 or less. The exemption does not include the purchase of motor vehicles, bots, services, construction, tobacco or marijuana products, alcoholic beverages, utilities, travel, or meals.

The Department of Revenue (DOR) must adopt rules for the administration of this exemption that are consistent with the SSUTA.

The Shop Local and Save Sales and Use Tax Holiday Mitigation Account (Account) is created. Mitigation payments must be made from this account to local taxing districts impacted by the sales and use tax suspension on qualified items. The DOR must estimate the revenue losses for each local taxing district and notify the State Treasurer of the amount of mitigation payments to be made from the Account to the local taxing district by November 18, 2022. The State Treasurer must transfer the mitigation payments to the local taxing districts by December 1, 2022.

The act is exempt from the requirements of a TPPS and a JLARC tax preference study.

The act expires June 30, 2023.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.