

SENATE BILL REPORT

SB 5516

As Reported by Senate Committee On:
Ways & Means, February 16, 2023

Title: An act relating to exempting clay targets from sales and use tax.

Brief Description: Exempting clay targets from sales and use tax.

Sponsors: Senators Fortunato, Rolfes, Conway, Warnick and Wilson, L..

Brief History:

Committee Activity: Ways & Means: 1/31/23, 2/16/23 [DPS, DNP, w/oRec].

Brief Summary of First Substitute Bill

- Exempts from sales and use tax clay targets purchased by a nonprofit gun club providing the activity of clay target shooting for a fee.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5516 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rolfes, Chair; Mullet, Vice Chair, Capital; Wilson, L., Ranking Member, Operating; Gildon, Assistant Ranking Member, Operating; Schoesler, Ranking Member, Capital; Warnick, Assistant Ranking Member, Capital; Boehnke, Braun, Conway, Torres, Van De Wege, Wagoner and Wellman.

Minority Report: Do not pass.

Signed by Senators Dhingra, Pedersen and Saldaña.

Minority Report: That it be referred without recommendation.

Signed by Senators Robinson, Vice Chair, Operating & Revenue; Billig, Hasegawa, Hunt, Keiser and Nguyen.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Staff: Alia Kennedy (786-7405)

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.

Tax Preferences. 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. 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 that identifies the public policy objective of the preference, as well as specific metrics the Joint Legislative Audit and Review Committee can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after ten years unless an alternative expiration date is provided.

Tax Preference for Clay Targets. In 2013, the Legislature authorized a retail sales and use tax exemption for nonprofit gun clubs on the purchase of clay targets used in the activity of shooting for which a fee is charged. The buyer was required to provide the seller with an exemption certificate from the Department of Revenue (DOR). The exemption expired on July 1, 2017.

Summary of Bill (First Substitute): Retail sales and use taxes do not apply to the sale of clay targets purchased by a nonprofit gun club for use in providing the activity of clay target shooting for a fee.

The exemption is available only when the buyer provides the seller with an exemption certificate. The seller must retain a copy of the certificate for its files. For sellers who electronically file their taxes, DOR must provide a separate tax reporting line for exemption amounts claimed under this act.

The tax exemption on clay targets is not subject to tax preference performance review or automatic ten year expiration.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (First Substitute):

- Removes the retroactivity clause requiring DOR to refund any taxes collected after July 1, 2017, on sales of clay targets purchased by a nonprofit gun club for use in providing the activity of clay target shooting for a fee.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: This bill addresses a case of double taxation. This will adjust the way that the Department of Revenue interprets resale certificate use.

CON: Clay targets should not be exempt from sales and use tax. Gun clubs are not uniquely challenged by paying taxes on clay targets, and should not get unique exemptions. This would open the door for other organizations to ask for similar tax exemptions. The policy does not meet the state's tax code precedent or priorities.

Persons Testifying: PRO: Senator Phil Fortunato, Prime Sponsor.

CON: Steve Ewing, Department of Revenue.

Persons Signed In To Testify But Not Testifying: No one.