

HOUSE BILL REPORT

SHB 2380

As Passed House:

January 30, 2008

Title: An act relating to providing taxpayer relief for costs associated with compliance with the sourcing requirements of the streamlined sales and use tax agreement.

Brief Description: Providing relief for businesses for streamlined sales and use tax agreement compliance costs.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Ericks, Orcutt, Hunter, Kretz, Linville and Ormsby).

Brief History:

Committee Activity:

Finance: 3/28/07, 3/30/07 [DPS].

Floor Activity:

Passed House: 1/30/08, 97-0.

Brief Summary of Substitute Bill

- Provides monetary relief to small businesses for costs associated with the Streamlined Sales and Use Tax Agreement.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Conway, Ericks, McIntire, Roach and Santos.

Staff: Jeff Mitchell (786-7139).

Background:

An effort was started in early 2000, by the Federation of Tax Administrators, the Multistate Tax Commission, the National Conference of State Legislatures, and the National Governors

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.

Association to simplify and modernize sales and use tax collection and administration nationwide. The effort is known as the Streamlined Sales Tax Project (SSTP).

In 2002, the Legislature adopted the Simplified Sales and Use Tax Administration Act, which authorized the Department of Revenue (DOR) to be a voting member in the SSTP. Many other states have also authorized such participation, and representatives have met to develop an agreement to govern the implementation of the SSTP. This agreement, called the Streamlined Sales and Use Tax Agreement (SSUTA), was adopted by 34 states and Washington, D.C., in November 2002.

Under the SSUTA, sellers are authorized to designate an agent, referred to as a certified service provider (CSP), to register the seller with the state and perform all the seller's sale and use tax functions.

Substitute Senate Bill 5089 (2007), signed into law March 22, conforms Washington law with the SSUTA. The legislation includes relief for in-state sellers impacted by the change to destination sourcing. To qualify for relief, the seller must meet several requirements. The seller must: in calendar year 2008, have gross income less than \$500,000 and have a physical presence in the state; have at least 5 percent of sales derived from shipping property to locations away from its place of business; have at least 1 percent of sales derived from shipments to multiple jurisdictions; and as of July 1, 2008, be registered with the DOR. A qualifying in-state seller may choose one of two options. A seller may: use a CSP for up to two years at no cost to the taxpayer, or claim a tax credit, not to exceed \$1,000. A credit may be claimed until used.

Summary of Substitute Bill:

Relief is provided for additional in-state sellers for costs associated with the sourcing changes in the SSUTA. To qualify for relief, the seller must meet several requirements. The seller must: in calendar year 2008, have a gross income between \$500,000 and \$3 million and have a physical presence in the state; have at least 95 percent of sales derived from shipping property to jurisdictions other than the jurisdiction in which the taxpayer has his or her main physical location; and, as of July 1, 2008, be registered with the DOR. A qualifying in-state seller may choose one of two options. A seller may: use a certified service provider for up to one year at no cost to the taxpayer, or claim a tax credit, not to exceed \$1,000. Sellers must use the credit by July 1, 2009.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) This bill replicates a benefit for small businesses in the streamlined sales and use tax legislation; however, the income threshold is increased to \$3 million extending relief to additional businesses. The impacts of the streamlined legislation on small businesses is a subject that is frequently asked about. The ability to assist small businesses in compliance is critical to the success of the streamlined sales tax bill. The \$500,000 threshold in the underlying bill does not catch enough businesses. The bill also assists the DOR by requiring taxpayers to file electronically. Employers do a tremendous job collecting the Washington sales tax with over a 90 percent compliance rate. Overall, employers do support the underlying concept of the streamlined bill; however, they are concerned about the fiscal impacts of complying. A small business in the print industry is an example of a business that would benefit from this legislation. Small distributors and wholesalers would benefit as well. We need this bill this year to hit the ground running when the streamlined provisions take effect. This bill will help a lot of larger small businesses in the Puget Sound region where multiple taxing jurisdictions exist.

(Opposed) None.

Persons Testifying: Representative Ericks, prime sponsor; Amber Carter, Association of Washington Business; and Carolyn Wyne, National Federation of Independent Business.

Persons Signed In To Testify But Not Testifying: None.