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**ENGROSSED SUBSTITUTE HOUSE BILL 2018**

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**State of Washington 67th Legislature 2022 Regular Session**

**By** House Appropriations (originally sponsored by Representatives Paul, Rule, Bergquist, Bronoske, Chapman, Leavitt, Ramel, Ryu, Sutherland, Berg, Callan, Frame, Riccelli, and Lekanoff)

AN ACT Relating to 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; adding a new section to chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; adding new sections to chapter 82.14 RCW; creating new sections; and providing an expiration date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  The legislature recognizes that Washingtonians have been greatly impacted by the COVID-19 pandemic, which caused significant economic hardship for many. Along with rising costs of living across the state, the economic impacts of COVID-19 have put an additional strain on households already struggling to meet their basic needs. The legislature finds that Washington's tax system is the most regressive in the nation. Under Washington's regressive tax system, those who earn the least in the state pay a significantly higher percentage of their income in state and local retail sales tax, further increasing the economic burden on families.

The legislature finds that independent, local, main street businesses across the state have also been significantly impacted by the COVID-19 pandemic. While many big box stores with national and international resources were able to pivot to online sales or other strategies to weather the economic crisis, many main street businesses were unable to do the same and are now struggling.

Further, the legislature finds that the state's access to one-time funds should be used to benefit families and businesses throughout the state. Therefore, the legislature intends to create a one-time sales and use tax holiday for certain items, reducing the costs of goods for those families that need it most and spurring local economic activity.

NEW SECTION. **Sec.**  A new section is added to chapter 82.08 RCW to read as follows:

(1) Subject to the limitations and conditions provided in this section, the provisions of this chapter do not apply to sales of qualified items with a purchase price of $1,000, or less, purchased by an individual between 12:00 a.m. on September 3, 2022, and 11:59 p.m. on September 5, 2022.

(2) The department may adopt rules for the administration of this section, including emergency rules. These rules must be consistent with the streamlined sales and use tax agreement, to the extent the department considers advisable, so long as the rules are consistent with this section.

(3) The following definitions apply to this section:

(a) "Individual" means a natural person purchasing the qualified item for personal use or consumption. An "individual" does not include a natural person purchasing the qualified item for use or consumption by a business or in a business capacity.

(b) "Nonqualified items" means: Motor vehicles; watercraft; alcoholic beverages; soft drinks; prepared food; tobacco; marijuana products, or its successor term, as defined in RCW 69.50.101; vapor products as defined in RCW 70.345.010; and any product, the retail sale of which is unlawful. For purposes of this subsection (3)(b), the definitions in RCW 82.08.0293 apply.

(c) "Qualified items" means any article of tangible personal property, digital good, or digital code used solely to obtain one or more digital goods, excluding nonqualified items.

NEW SECTION. **Sec.**  A new section is added to chapter 82.12 RCW to read as follows:

(1) Subject to the limitations and conditions provided in this section, the provisions of this chapter do not apply to sales of qualified items with a purchase price of $1,000, or less, purchased by an individual between 12:00 a.m. on September 3, 2022, and 11:59 p.m. on September 5, 2022.

(2) The department may adopt rules for the administration of this section, including emergency rules. These rules must be consistent with the streamlined sales and use tax agreement, to the extent the department considers advisable, so long as the rules are consistent with this section.

(3) The definitions in section 2 of this act apply to this section.

NEW SECTION. **Sec.**  A new section is added to chapter 82.14 RCW to read as follows:

The shop local and save sales and use tax holiday mitigation account is created in the state treasury. Expenditures from the account may only be made pursuant to section 5 of this act as mitigation payments to local taxing districts impacted by the sales and use tax suspension on items pursuant to sections 2 and 3 of this act and based on the estimates in section 5 of this act.

NEW SECTION. **Sec.**  A new section is added to chapter 82.14 RCW to read as follows:

(1) In order to mitigate local sales and use tax revenue losses as the result of the shop local and save sales and use tax holiday authorized in sections 2 and 3 of this act, the state treasurer must transfer mitigation payments from the shop local and save sales and use tax holiday mitigation account to local taxing districts impacted by the shop local and save sales and use tax holiday by December 1, 2022. The department shall determine the local taxing districts and mitigation payment amounts under this section.

(2) The department must estimate the revenue losses for each impacted local taxing district as the result of the shop local and save sales and use tax holiday authorized under sections 2 and 3 of this act. The department must notify the state treasurer by November 18, 2022, of the amount of each mitigation payment that must be transferred from the shop local and save sales and use tax holiday mitigation account to each local taxing district.

(3) The department of revenue's estimates under this section may not be overturned by a court except upon a showing of willful misconduct by clear, cogent, and convincing evidence.

NEW SECTION. **Sec.**  RCW 82.32.805 and 82.32.808 do not apply to this act.

NEW SECTION. **Sec.**  This act expires June 30, 2023.

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