

HOUSE BILL REPORT

EHB 2954

As Passed House:

March 7, 1996

Title: An act relating to sales and use tax relief for flood victims.

Brief Description: Providing tax exemptions for items obtained to replace flood-damaged items.

Sponsors: Representatives Pennington, Kessler, Hymes, Brumsickle, Schoesler, Campbell, Grant, Chappell, Linville, Casada, Morris, Silver, Mulliken, Hatfield, Quall, Costa, Basich, Lambert, D. Schmidt, McMahan, L. Thomas, Koster, Stevens and Scott.

Brief History:

Floor Activity:

Passed House: 3/7/96, 94-4.

Staff: Rick Peterson (786-7150).

Background: The state retail sales tax is imposed on retail sales of most items of tangible personal property and some services. Taxable services include construction, repair, telephone, some personal services, and recreation and amusement services. The tax rate is 6.5 percent and is applied to the selling price of the article or service. In addition, local sales taxes apply. The total rate is between 7 percent and 8.2 percent depending on the location.

Sales tax applies when items are purchased at retail in the state. Sales tax is paid by the purchaser and collected by the seller. Use tax is imposed on the use of an item in this state when the acquisition of the item has not been subject to sales tax. Use tax applies to items purchased from sellers who do not collect sales tax, items acquired from out of state, and items produced by the person using the item. Use tax is equal to the sales tax rate multiplied by the value of the property used.

Summary of Bill: Repair of residential buildings damaged by flooding or construction of replacement residential buildings destroyed by flooding is exempt from sales and use tax. The building must be located in a county or Indian Nation listed in the Presidential Disaster Declaration for the November 1996 or February 1997 flooding episodes.

Certain household items are exempt from sales and use tax if the item replaces a like item that was lost or destroyed in flooding. Household items eligible for the exemption are sofas, couches, loveseats, armchairs, and recliners, dining tables and chairs; bed mattresses and foundations; clothes washers and dryers; stoves, ranges and conventional ovens; refrigerators and freezers; dishwashers; garbage disposal and trash compactors; water heater; and Washington licensed private automobiles.

Individuals eligible for this exemption must be residents of a county or Indian Nation listed in the Presidential Disaster Declaration for the November 1996 or February 1997 flooding episodes.

The sales tax exemptions end March 31, 1997, and the use tax exemptions end September 31, 1996.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill contains an emergency clause and takes effect immediately.