

HB 1327

Bill Analysis

February 18, 1997

Brief Description: Reimbursing sellers for sales tax collection costs.

Bill Sponsors: Representatives Huff, Carrell, Quall, Mulliken, Morris, Linville, Ogden, Dunshee, B. Thomas, Johnson, Conway, Sheldon, Grant, Mastin, D. Schmidt, Robertson, Kessler, Skinner, Boldt, Lisk, Mielke, Dickerson, L. Thomas, O'Brien, Hatfield, Kenney, Gardner, Cooke, Costa, Ballasiotes, Thompson, Koster, Lantz, Mason, Schoesler, Dunn, Alexander and Anderson.

Staff: Linda Brooks (786-7153)

Background: The sales tax is imposed on retail sales of most items of tangible personal property and some services. The state 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 tax rate is between 7 percent and 8.6 percent, depending on location. Sales tax applies when items are purchased at retail in state. Sales tax is paid by the purchaser and collected by the seller.

Summary of Bill: Businesses are allowed to retain 1.25 percent of state retail sales tax collected from consumers on the first \$40,000 of retail sales per month. In addition, businesses are allowed to retain 0.65 percent of the state retail sales tax collected from consumers on retail sales in excess of \$40,000 per month. The amounts retained serve as reimbursement to the retailers for administrative costs incurred in collecting sales taxes.

Fiscal Note: Available

Effective Date: If enacted, the bill takes effect on September 1, 1997.

Addendum to HB 1327 Bill Analysis

Forty-five states levy retail sales taxes. According to a January 1, 1997, publication of the Federation of Tax Administrators, 25 of the 45 states allow retailers to retain a percentage of the sales taxes collected as reimbursement for their administrative costs.

House Bill 1327 proposes to reimburse retailers for collecting sales taxes in Washington as follows:

- Allow retailer to retain 1.25 percent of all sales taxes collected each month on the first \$40,000 of retail sales per month (on \$480,000 of sales annually).
- Allow retailer to retain 0.65 percent of all sales taxes collected each month on sales in excess of \$40,000 per month (in excess of \$480,000 of sales annually).

Comparing Small and Large Retailers

Volume of Annual Retail Sales	Businesses		Retail Sales Taxes Collected		Amount of Retail Sales Retained by Retailer	
	Number of Businesses in this Category	As a Percent of All Businesses	Total Sales Taxes Collected	Percent of Total Taxes	Retail Sales Taxes Retained	Percent of Retained Taxes
Less than \$50,000	116,238	63%	\$145,182,000	2%	\$1,815,000	3%
\$50,000 to \$250,000	40,195	22%	592,942,000	8%	7,412,000	12%
\$250,001 to \$500,000	11,856	6%	516,203,000	7%	6,449,000	10%
\$500,001 to \$3,000,000	12,911	7%	1,733,382,000	23%	15,836,000	25%
\$3,000,001 to \$10,000,000	1,855	1%	1,195,340,000	16%	8,426,000	13%
Over \$10,000,000	748	under 1%	3,480,542,000	45%	22,888,000	36%
TOTAL	183,803	100%	\$7,663,591,000	100%	\$62,826,000	100%

Data Source: Department of Revenue

Note: percentages may not add exactly to 100% due to rounding