

HOUSE BILL REPORT

HB 1198

As Reported By House Committee On:
Finance

Title: An act relating to sales tax relief for victims of landslide disasters.

Brief Description: Providing sales tax relief for victims of landslide disasters.

Sponsors: Representatives Pennington, Doumit, Mielke, Hatfield, Carlson, Carrell, Thomas, Boldt, Haigh and Ogden.

Brief History:

Committee Activity:

Finance: 2/2/99, 3/4/99 [DP].

Brief Summary of Bill

- Sales tax exemptions are created for labor and service charges associated with moving houses, demolishing houses, or cleaning up debris in an area that has been declared as a federal landslide disaster area.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 12 members: Representatives Dunshee, Democratic Co-Chair; Thomas, Republican Co-Chair; Carrell, Republican Vice Chair; Reardon, Democratic Vice Chair; Cairnes; Conway; Cox; Dickerson; Pennington; Santos; Van Luven and Veloria.

Staff: Linda Brooks (786-7153).

Background:

The sales tax is imposed on retail sales of most items of tangible personal property and some services. Charges for labor and services rendered to construct, repair, raze, or move buildings or structures are subject to sales tax. The combined state and local sales tax rate is between 7 and 8.6 percent, depending on location.

On October 16, 1998, President Clinton declared a federal disaster area in regards to a landslide occurring in the city of Kelso. According to Federal Emergency Management Office documents, the landslide is expected to ultimately destroy or make unlivable 137 homes.

Summary of Bill:

Labor and service charges associated with the following activities are exempt from sales tax:

- Moving houses out of a federal landslide disaster area;
- demolishing houses located in a federal landslide disaster area; and
- removing debris from a federal landslide disaster area.

These sales tax exemptions apply retroactively to March 1, 1998, and expire on July 1, 2000.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: Residents of the Aldercrest subdivision are losing their homes to an ancient fault that is opening up and causing a landslide. For several residents these homes represented their life savings. People are devastated emotionally and financially. These residents have lost their homes and are essentially homeless. Some residents have been forced to declare bankruptcy. The city of Kelso will also benefit from the sales tax exemption for labor and services associated with the removal of debris from the landslide disaster area. This exemption is important to the city, because the city is not financially sound. Coping with this disaster has imposed a great financial strain on the city.

Testimony Against: None.

(Concerns) The sales tax exemption would apply retroactively to March 1, 1998. This retroactive application may be unconstitutional, as refunding taxes that were legally due at the time of payment might present a "gift of funds" issue.

Testified: (In support) Rep. Pennington, prime sponsor; Judy Sloan, Executive Director, Lower Columbia Community Action Council; and Brian Butterfield, city of Kelso.

(With concerns) Tim Sekerak, Department of Revenue.