

HOUSE BILL REPORT

SB 5523

As Passed House:

March 7, 2002

Title: An act relating to overpayments of tax concerning leased equipment when a remedy to refund the overpayment no longer exists under the nonclaim statute.

Brief Description: Authorizing an offset for certain overpayments of tax concerning leased equipment.

Sponsors: By Senators Horn, Rossi and Snyder.

Brief History:

Committee Activity:

Finance: 2/20/02, 3/4/02 [DP].

Floor Activity:

Passed House: 3/7/02, 94-0.

Brief Summary of Bill

- Grants an exception to the four-year limitation on tax refunds in cases where sales tax was incorrectly paid on equipment that was intended to be leased.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 11 members: Representatives Gombosky, Chair; Berkey, Vice Chair; Cairnes, Ranking Minority Member; Conway, Morris, Nixon, Orcutt, Roach, Santos, Van Luyen and Veloria.

Staff: Rick Peterson (786-7150).

Background:

The sales tax is imposed on retail sales of most items of tangible personal property and some services. Use tax is imposed on the use of an item in Washington when the acquisition of the item or service has not been subject to sales tax. The combined state and local sales and use tax rate ranges between 7 and 8.9 percent, depending on location.

The retail sales tax applies to sales of property to consumers. Property that is purchased

for resale or leasing is exempt from the retail sales tax because it is not a sale to a consumer. However, the subsequent leasing of such property to consumers is subject to sales tax.

By statute, there exists a four-year time limit on tax refunds or credits for taxes, penalties or interest due.

Summary of Bill:

An exception is granted to the four-year limitation on refunds regarding overpayments of sales tax on leased equipment. A taxpayer is allowed to credit the sales tax paid incorrectly on the original sale to offset the amount of sales taxes subsequently owed on the leased property.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This is a fairness issue. The bill deals with a situation where the taxpayer used a leasing company to buy equipment for his stores. Sales tax was paid at the time of purchase. Later an audit revealed that sales tax was due on the lease payments and sales tax should not have been paid on the initial purchase. The Department of Revenue denied relief for the initial sales tax because of the 4-year limit on refunds.

Testimony Against: None.

Testified: None.