

HOUSE BILL REPORT

HB 1203

As Reported by House Committee On:

Finance

Title: An act relating to department of revenue authority regarding sales and use tax exemption documentation and retention requirements.

Brief Description: Authorizing the department of revenue to modify sales tax exemption documentation and retention requirements for simplification purposes.

Sponsors: Representatives Cairnes and Morris.

Brief History:

Committee Activity:

Finance: 1/31/01, 2/15/01 [DPS].

Brief Summary of Substitute Bill

- Authorizes the Department of Revenue to enter into agreements for electronic sales tax exemption certificates.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Cairnes, Republican Co-Chair; Morris, Democratic Co-Chair; Berkey, Democratic Vice Chair; Roach, Republican Vice Chair; Carrell, Conway, Pennington, Santos, Van Luven and Veloria.

Staff: Bob Longman (786-7139).

Background:

A seller must collect sales tax on each retail sale, unless the buyer provides a resale or exemption certificate. A buyer must provide the following information on a resale or exemption certificate:

- (1) The name and address of the buyer;
- (2) The uniform business identifier number of the buyer;
- (3) The type of business engaged in;
- (4) The categories of items or services to be purchased for resale or that are exempt,

- unless the buyer is in a business classification that may present a blanket resale certificate as provided by the department by rule;
- (5) A statement that the items or services purchased either: (i) Are purchased for resale in the regular course of business; or (ii) are exempt from tax pursuant to statute; and
 - (6) The name and signature of the authorized individual.

Sellers are held liable for the tax if they are not able to produce the required exemption certificates when audited by the Department of Revenue.

Before disclosing information obtained from a taxpayer, the Department of Revenue must inform the taxpayer what will be disclosed.

Summary of Substitute Bill:

The Department of Revenue may enter into agreements with sellers for a project on sales and use tax exemption requirements. This project will allow the use of electronic data collection in lieu of paper certificates.

The object of the project is to determine whether using an electronic system provides the same level of reliability as the current system while lessening the burden on the seller.

A seller that wishes to participate in the project may make application to the department. To be eligible for such participation, a seller must demonstrate its capability to take part in the project and to provide data to the department in a form in which the data can be used by the department. A seller selected as a participant by the department will be relieved of other sales and use tax exemption documentation requirements provided by law as covered by the project.

Substitute Bill Compared to Original Bill:

The substitute bill deletes language that would allow Department of Revenue to use electronic exemption detail data received from the vendor in recovery actions against a taxpayer without asking permission of the vendor and waiting 20 days.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This bill will decrease administrative burdens on sellers when buyers claim sales tax exemptions. The Department of Revenue will create a project to test electronic documentation for exemption certificates. The seller will be required to periodically provide to the department information in electronic format about claims for exemption. This information will allow the department to audit these claims and pursue collection directly from the persons liable for sales tax, the buyers.

Testimony Against: None.

Testified: Tim Sekerak, Department of Revenue.