

Finance

HB 1281

Brief Description: *Providing a clothing sales and use tax exemption.*

Sponsors: *Representatives Bush, Roach, Cairnes, Morell, Armstrong, Campbell, G. Chandler, D. Schmidt and Woods.*

Brief Summary of Bill

- An exemption is provided for state and local sales and use taxes on clothing items up to \$100 each for the period from August 3rd to August 11th annually.*

Hearing Date: *1/31/01*

Staff: *Mark Matteson (786-7145).*

Background:

The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. The tax base includes goods and certain services purchased at retail. The tax is levied at a 6.5 percent rate by the state. Cities and counties may levy a local tax at a rate up to a maximum of 3.1 percent; currently, local rates levied range from 0.5 percent to 2.3 percent. Sales tax is paid by the purchaser and collected by the seller. The use tax is imposed on items used in the state which were not subject to the retail sales tax, and includes purchases made in other states and purchases from sellers who do not collect Washington sales tax. The state and local rates are the same as those imposed under the retail sales tax. Use tax is paid directly to the Department of Revenue. A sales tax holiday was first implemented by New York State in 1997; currently, seven other states have enacted and/or implemented a variation of the original. In states where it has been implemented, the holiday provides relief to taxpayers by instituting a temporary sales tax exemption on certain items for a specific period of time. In a majority of the states that

have implemented the tax holiday, the categories of items exempted include clothing and footwear, and the holiday period occurs during August. Eligible items are typically limited by a per-item price ceiling, which varies from state to state.

Summary of Bill:

Sales of clothing items up to \$100 each are exempt from state and local sales and use taxes for the period from August 3rd to August 11th each year. Eligible items include any article of wearing apparel, including footwear. Watches, watchbands, jewelry, handbags, handkerchiefs, umbrellas, scarves, ties, headbands, or belt buckles are not covered by the exemption.

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

Appropriation: *None.*

Fiscal Note: *Requested on January 23, 2001.*