
Finance Committee

HB 2459

Brief Description: Providing excise tax relief for tax proceeds lost due to theft.

Sponsors: Representatives Takko and Blake.

Brief Summary of Bill

- Allows a credit against sales and use tax liability and a deduction under the business and occupation tax for certain proceeds from sales that are stolen.

Hearing Date: 1/20/06

Staff: Mark Matteson (786-7145).

Background:

Retail sales and use tax and business and occupation tax. The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. The use tax applies if retail sales tax has not been collected. Both the state and local governments impose sales and use taxes; the average combined rate is 8.5 percent statewide. Sales taxes are collected by the seller from the buyer at the time of sale. Use tax is remitted directly to the Department of Revenue. State revenues are deposited to the State General Fund.

The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. A business may have more than one B&O tax rate, depending on the types of activities conducted. The tax rate for retailers is 0.471 percent. Revenues are deposited in the state general fund.

Administrative obligations of the retailer. Once retail sales and use taxes are collected, state law requires the seller to hold the proceeds in trust until paid to the department. The taxes are due on a monthly basis.

A seller that has collected the tax and fails to pay it to the department, even if the failure is the result of conditions beyond his or her control, is liable for the amount of tax due. The department may then use various remedies to collect unpaid taxes, such as tax liens.

Summary of Bill:

A credit may be taken against sales and use tax liability if retail sales or use taxes that have been collected were stolen by a person other than the seller. A seller must maintain records that demonstrate that the seller appropriately reported the theft to law enforcement authorities.

A deduction may be taken under the B&O tax from taxable income for proceeds from any retail sale or wholesale that have been stolen.

The sales and use tax credit or B&O deduction may be claimed only to the extent that losses are not covered by insurance or otherwise recovered. Any recovered tax must be paid.

Appropriation: None.

Fiscal Note: Requested on January 9, 2006.

Effective Date: The bill takes effect on July 1, 2006.