

FINAL BILL REPORT

SSB 5566

C 289 L 09

Synopsis as Enacted

Brief Description: Harmonizing excise tax statutes with the streamlined sales and use tax agreement in regards to direct sellers, telecommunications ancillary services, commercial parking taxes, and exemption certificates.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Regala and Prentice; by request of Department of Revenue).

Senate Committee on Ways & Means

House Committee on Finance

Background: The Streamlined Sales and Use Tax Agreement (SSUTA) is a multi-state effort to simplify the system by which state and local sales and use taxes are administered. The agreement provides uniform definitions, administrative procedures, and technology standards for member states. Washington became a member state of the SSUTA effective July 1, 2008, with the implementation of Substitute Senate Bill 5089 which passed during the 2007 legislative session.

As part of the SSUTA legislation, Washington adopted the SSUTA's uniform general sourcing rules effective July 1, 2008. This required retail sales to be sourced to the location where the buyer receives the goods purchased. A portion of these rules dealt with how to source sales of direct mail, in which large volumes of mail are delivered to many addressees. Sellers of direct mail would be required to collect and remit local sales tax on these transactions based on the individual mailbox destinations of the direct mail if the seller is given jurisdictional information about the destinations that the seller could use for tax reporting purposes.

The SSUTA Governing Board has passed an amendment to the agreement by which states may elect to source intrastate direct mail transactions based on the seller's location, as Washington did before July 1, 2008.

The SSUTA's sourcing rules also govern the sourcing of ancillary services, which are services associated with or incidental to the provision of telecommunications services. Recently, the Compliance Review and Interpretations Committee of the SSUTA's Governing Board notified the Department of Revenue that it could not determine how this state sources ancillary services.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary: The sale of direct mail that is delivered or distributed from a location within this state to another location within this state is sourced, for sales tax purposes, to the address of the seller from which the direct mail was sent.

It is clarified that telecommunication ancillary services are sourced to the customer's place of primary use of the telecommunication services.

The 50 percent penalty for misuse of a resale certificate is extended to also apply to the misuse of the uniform Streamlined Sales Tax exemption certificate when it is used to claim a purchase for resale exemption.

Businesses with gross incomes below \$500,000 in the previous year do not have to pay interest and penalties on inadvertent errors made in a good faith effort to comply with the sale tax sourcing rules. This prohibition is in effect until January 1, 2013.

Votes on Final Passage:

Senate	46	2	
House	98	0	(House amended)
Senate	42	4	(Senate concurred)

Effective: July 26, 2009