

HOUSE BILL REPORT

HB 2565

As Passed Legislature

Title: An act relating to reducing the frequency of local sales and use tax changes.

Brief Description: Reducing the frequency of local sales and use tax changes.

Sponsors: Representatives Vick, Reykdal, Orcutt, Wilson, Springer, Robinson, Nealey, Wilcox, Manweller, Stokesbary, Condotta, Pike, Haler, Frame, Hargrove and Muri.

Brief History:

Committee Activity:

Finance: 2/2/16, 2/5/16 [DP].

Floor Activity:

Passed House: 2/16/16, 97-0.

Passed Senate: 3/2/16, 47-0.

Passed Legislature.

Brief Summary of Bill

- Reduces the frequency with which local sales and use taxes may be changed, from four times a year to three times a year.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 15 members: Representatives Lytton, Chair; Robinson, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Frame, Manweller, Pollet, Reykdal, Ryu, Springer, Stokesbary, Vick, Wilcox and Wylie.

Staff: Sarah Emmans (786-7288).

Background:

Sales and Use Tax.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user

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acquired the property, digital products, or services, then use taxes apply to the value of property, digital product, or service when used in this state. The state, most cities, and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.0 percent, depending on the location.

Local Sales Tax Changes.

In general, local sales and use tax changes can take effect no sooner than 75 days after the Department of Revenue (DOR) receives notice of the change and only on the first day of January, April, July, or October.

A local sales and use tax that is a credit against the state tax can take effect no sooner than 30 days after the DOR receives notice and only on the first day of a month.

Summary of Bill:

Local sales and use tax changes can only be made on the first day of January, April, or July. The DOR must still receive notice 75 days prior to the change.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This would reduce burdens, especially on small businesses that have to update their computer and accounting systems four times a year now to reflect changes in local sales tax rates. Some businesses operate in over 100 jurisdictions. Businesses face a quarterly delay in starting the next quarter's invoicing until the previous quarter is closed at a prior rate and the new rates are updated in the system. This can cause a five- to six-hour delay. Businesses can lose an entire day of operations based on this delay. The software update is intricately tied to other business functions, and the update can be a setback. This policy was passed unanimously out of the Finance Committee last session.

(Opposed) None.

Persons Testifying: Representative Vick, prime sponsor; Eric Lohnes, Association of Washington Businesses; and Judy Coovert.

Persons Signed In To Testify But Not Testifying: None.