

Local Government Committee

SB 5337

Brief Description: Expanding a sales and use tax exemption for personal property sold between political subdivisions to include sales or uses of personal property as a result of a merger or sales or uses of personal property made under contractual consolidations in which the taxpayer that originally paid the sales or use tax continues to benefit from the personal property.

Sponsors: Senators Takko and Holy.

<p>Brief Summary of Bill</p> <ul style="list-style-type: none"> • Exempts from sales and use taxes the transfer of property from one political subdivision to another political subdivision as a part of a merger. • Exempts from sales and use taxes the transfer of property from one political subdivision to another political subdivision as a part of a contractual consolidation.

Hearing Date: 3/19/19

Staff: Yvonne Walker (786-7841).

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 acquired the property, digital products, or services, then use taxes apply to the value of the property, digital product, or service when used in the state. The state, 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 depending on the location.

Annexation or Incorporation Exemption.

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.

Generally, the sale of tangible personal property by one political subdivision to another political subdivision resulting from an annexation or incorporation, or the use of personal property resulting from the same (an annexation or incorporation), is exempt from sales and use taxes.

Tax preference performance statements.

Unless explicitly exempt, every bill enacting a tax preference must include a tax preference performance statement. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. The performance statement must clearly specify the public policy objective of the tax preference and the specific metrics and data that will be used by the Joint Legislative Audit and Review Committee (JLARC) to evaluate the efficacy of the tax preference.

Summary of Bill:

The sale or use of personal property resulting from a merger of two political subdivisions is exempt from sales and use taxes. Personal property sold by one political subdivision to another is also exempt from sales and use taxes if there is a contract allowing the taxpayers of the seller to continue benefiting from the use of the property.

This Act is exempt from tax preference performance statement requirements and expires January 1, 2030.

Appropriation: None.

Fiscal Note: Not requested.

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