

# SENATE BILL REPORT

## SB 5337

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As of February 26, 2019

**Title:** An act relating to 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.

**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.

**Brief History:**

**Committee Activity:** Local Government: 1/29/19, 1/29/19 [DP].  
**Ways & Means:** 2/21/19.

**Brief Summary of Bill**

- 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.

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### SENATE COMMITTEE ON LOCAL GOVERNMENT

**Majority Report:** Do pass.

Signed by Senators Takko, Chair; Salomon, Vice Chair; Short, Ranking Member; Honeyford and Liias.

**Staff:** Bonnie Kim (786-7316)

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### SENATE COMMITTEE ON WAYS & MEANS

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*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.*

**Staff:** Jeffrey Mitchell (786-7438)

**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 this 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. 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, is exempt from sales and use taxes.

**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:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

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

**Staff Summary of Public Testimony (Local Government):** PRO: This bill seeks to avoid double taxation when two entities merge. Fire districts have been looking for ways to increase efficiencies and cut costs. This bill gives districts another opportunity to consider merging or consolidating resources. Our district contracted to share equipment and services with another fire district in lieu of annexation. We believe this bill is compatible with the intent of the statute.

**Persons Testifying (Local Government):** PRO: Senator Dean Takko, Prime Sponsor; Ryan Spiller, Washington Fire Commissioners Association; Dominic Barrera, Commissioner North Highline Fire District; Julie Hiatt, North Highline Fire District; David Dilley, KCFD 2 (Burien Fire Department).

**Persons Signed In To Testify But Not Testifying (Local Government):** No one.

**Staff Summary of Public Testimony (Ways & Means):** PRO: To stay financially afloat, our fire district is working with our neighboring fire district to provide better service for our

citizens. To do that, we have a contract because an annexation creates some challenges for us. However, we are not able to do a contract is problematic because of the way the statute is currently written because tax will apply to the transfer of the items.

**Persons Testifying (Ways & Means):** PRO: Julie Hiatt, North Highline Fire District.

**Persons Signed In To Testify But Not Testifying (Ways & Means):** No one.