

HOUSE BILL REPORT

HB 2607

As Reported By House Committee On:

Finance

Title: An act relating to retail sales and use taxation.

Brief Description: Exempting certain impact fees from sales and use taxation.

Sponsors: Representatives Romero, Reams, Lantz, Cairnes, Fisher, Gardner and Thompson.

Brief History:

Committee Activity:

Finance: 1/27/98, 2/4/98 [DP].

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 13 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Dunshee, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Boldt; Butler; Conway; Kastama; Pennington; Schoesler; Thompson and Van Luven.

Staff: Rick Peterson (786-7150).

Background: Cities and counties that plan under the Growth Management Act may charge impact fees on development. The fees are imposed as a condition of development approval and pay for public facilities needed to serve new growth and development. Impacts fees may be charged for public streets and roads; publicly owned parks, open space and recreation facilities; school facilities; and city fire protection facilities.

The sales tax is imposed on retail sales of most items of tangible personal property and some services. Use tax is imposed on the use of an item in this state, when the acquisition of the item or service has not been subject to sales tax. Taxable services include construction, repair, telephone, and some recreation and amusement services. The combined state and local sales and use tax rate is between 7 and 8.6 percent, depending on location.

Generally, sales tax applies to construction activity. Prime contractors are hired to construct buildings for consumers. The prime contractor collects sales tax from the consumer on the full contract price for the construction. Materials and services

purchased by the contractor are purchases for resale and sales tax is not collected. The full contract price includes all the costs of construction including the prime contractor's profit and charges paid by the contractor for impact fees and other permits.

Summary of Bill: Impact fees authorized by the Growth Management Act are exempt from sales and use tax.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: If a person's contractor pays the impact fee then sales tax is charged on these impact fees when the contractor's bill is paid. However, if the person pays these fees directly to the city or county then no sales tax is charged. This bill will level the playing field so that no one pays sales tax on impact fees.

Testimony Against: None.

Testified: Representative Sandra Romero, sponsor.