

FINAL BILL REPORT

SHB 2493

C 104 L 00

Synopsis as Enacted

Brief Description: Simplifying implementation of sales and use tax rate changes.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Ruderman, Cox, Dunshee, Thomas and Kenney; by request of Department of Revenue).

House Committee on Finance
Senate Committee on Ways & Means

Background:

The sales tax is imposed on retail sales of most items of tangible personal property and some services. Sales tax is paid by the purchaser and collected by the seller.

Use tax is imposed on the use of an item in this state when the acquisition of the item has not been subject to sales tax. Use tax applies to items purchased from sellers who do not collect sales tax, items acquired from out-of-state, and items produced by the person using the item. Use tax is equal to the sales tax rate multiplied by the value of the property used. Use tax is paid directly to the Department of Revenue (DOR).

The total retail sales and use tax rate ranges between 7.0 and 8.6 percent, depending on location. The total rate contains both state and local taxes. The state sales and use tax rate is 6.5 percent. In addition to the state rate, local governments impose up to a 1.0 percent sales and use tax for general fund purposes. Additionally, local governments may impose up to 1.8 percent in sales and use taxes for dedicated purposes such as transit, high capacity transit, criminal justice, or juvenile detention. However, no local government is using its full taxing authority for these dedicated purposes. The highest local rate in effect for dedicated purposes is 1.1 percent.

When the Legislature or a local government enacts a new sales and use tax or modifies an existing tax rate, the effective date is the date the Legislature or local government specifies. Similarly, if a local government annexes an area, the local government specifies the effective date for the annexation.

Retailers are responsible for collecting and remitting sales taxes to the DOR. To assist retailers and other businesses in preparing their tax returns, the DOR has been developing a geographic information system (GIS). Sales and use tax rate data in the GIS system cover all areas of the state. A taxpayer may access this GIS database on

the DOR's website. For example, if a company wants to know what sales tax rates apply to a customer located at a particular address, the company may enter the address into the GIS database and find the applicable state and local sales tax rates for that address.

Summary of Bill:

The Legislature intends to lessen the administrative burden on retail businesses by coordinating sales and use tax changes. All sales and use tax changes, including those resulting from an annexation or referendum, may only take effect on the first day of January, April, July, or October. Additionally, a local government must provide the DOR with at least 75 days advance notice of a local sales and use tax change before the change may take effect.

Retailers and other businesses that properly use technology provided by the DOR to calculate sales and use taxes are not liable for tax rate calculation errors. The DOR must waive any unpaid tax amounts, interest, and penalties that result from a tax rate calculation error.

Votes on Final Passage:

House 96 1
Senate 46 0

Effective: July 1, 2000