

# SENATE BILL REPORT

## SHB 2493

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As Reported By Senate Committee On:  
Ways & Means, February 23, 2000

**Title:** An act relating to restricting the effective dates of sales and use tax changes for the purposes of simplification of tax collection.

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

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

**Brief History:**

**Committee Activity:** Ways & Means: 2/22/2000, 2/23/2000 [DP].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Loveland, Chair; Brown, Vice Chair; Fairley, Fraser, Honeyford, Kohl-Welles, Long, McDonald, Rasmussen, Roach, Rossi, B. Sheldon, Snyder, Spanel, Thibaudeau, West, Winsley, Wojahn and Zarelli.

**Staff:** David Schumacher (786-7474)

**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.

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 various dedicated purposes such as transit, high capacity transit (RTA), criminal justice, or juvenile detention.

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

Retailers are responsible for collecting and remitting sales taxes to the Department of Revenue (DOR). To assist retailers and other businesses in preparing their tax returns, DOR has been developing a geographic information system (GIS). DOR indicates that sales and

use tax rate data included in the GIS system now covers all areas of the state. A taxpayer may access this GIS database on DOR's website.

**Summary of Bill:** Sales and use tax changes are coordinated. 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.

Local government must provide DOR with at least 75 days advance notice of a local sales and use tax change before the change may take effect.

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

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on July 1, 2000.

**Testimony For:** It is difficult for DOR and taxpayers to keep up with 350 tax locations and rates that can change on any day. This simplifies things for everyone. It also ensures that mistakes made using the DOR GIS system do not harm taxpayers.

**Testimony Against:** None.

**Testified:** Tim Sekerak, DOR (pro).