

HOUSE BILL REPORT

SHB 3126

As Passed House:

February 14, 2008

Title: An act relating to the interaction of the streamlined sales and use tax legislation and the power of local governments to license and tax.

Brief Description: Clarifying the interaction of the streamlined sales and use tax legislation and the power of local governments to license and tax.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Loomis, Orcutt, Hunter, McIntire, Priest, Roach, Condotta, Kelley and Rolfes).

Brief History:

Committee Activity:

Finance: 2/5/08, 2/12/08 [DPS].

Floor Activity:

Passed House: 2/14/08, 94-0.

Brief Summary of Substitute Bill

- Specifies that remote sellers reporting local sales tax in a city are not required to be licensed for city business taxes.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Conway, Ericks, McIntire, Roach and Santos.

Staff: Don Taylor (786-7388).

Background:

In 2007 the state adopted full compliance with the national Streamline Sales and Use Tax Agreement (SSUTA); the effective date is July 1, 2008. The agreement is intended to make

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sales taxes more uniform throughout the country, thereby improving administration for tax collection agencies and compliance for taxpayers.

One of the requirements of SSUTA is switching to destination-based sourcing of taxable transactions for products that are delivered by vendors to the location of the purchaser. Thus, the transaction will be coded to the location of the buyer, rather than the point from which the goods were shipped by the seller. Thus, cities will be receiving reports of local sales tax receipts from vendors who are located outside of their jurisdiction.

Summary of Substitute Bill:

A variety of municipal taxing statutes are amended to specify that businesses do not need to be licensed for city business tax purposes, if the firm is merely registered or in compliance with the SSUTA. This assures that remote sellers are not liable for city business taxes, if they only report local sales taxes to the jurisdictions. (If the firm actually has nexus within the city, then it is still potentially subject to registration for local business tax purposes.)

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Cities often use local sales tax reports to require registration for municipal business taxes. It is important that remote sellers who merely report local sales tax under destination-based sourcing for SSUTA purposes not be penalized by requiring business tax registration, when they lack nexus. Businesses are committed to working with cities to resolving any remaining nexus issues.

(Opposed) None.

Persons Testifying: Representative Loomis, prime sponsor; Troy Nichols and Dave Morrell, National Federation of Independent Business; Amber Carter, Association of Washington Business; Mark Johnson, Washington Retail Association; Leonard Barrett, Barrett and Associates; Jim Justin, Association of Washington Cities; and Gary Smith, Independent Business Association.

Persons Signed In To Testify But Not Testifying: None.