

HOUSE BILL REPORT

ESSB 5997

As of Second Reading

Title: An act relating to eliminating or narrowing certain tax preferences to increase state revenue for essential public services.

Brief Description: Increasing revenues by revising tax preferences and enforcement processes.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Rolfes and Hunt).

Brief History:

Committee Activity:

None.

Brief Summary of Engrossed Substitute Bill

- Converts the nonresident sales tax exemption to a remittance program.
- Allows a county to set up a deferred finding program for persons who receive a citation for failing to register a vehicle, an aircraft, or a vessel.

Staff: Tracey O'Brien (786-7152).

Background:

Retail 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 tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.9 percent, depending on the location.

Nonresident Retail Sales Tax Exemption.

Retail sales tax does not apply to purchases of certain goods made by nonresidents for use outside of the state. Nonresidents includes persons from other states, possessions, or

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.

territories of the United States, or Canadian provinces or territories, that do not impose a sales, use, value-added, or similar tax at a rate of 3 percent or more.

The tax exemption applies to the purchases of tangible personal property, digital goods, digital codes, and certain parts or property installed by the seller while repairing, cleaning or altering motor vehicles, trailers, or campers in Washington. The tax exemption does not apply to retail services, such as lodging, cleaning or repair services, or amusement or recreational services, or items used or consumed in Washington, such as meals or beverages, goods sold to military personnel stationed in Washington, or goods sold to students attending school in the state. The nonresident buyer must provide to the seller valid picture identification or an authorized exemption certificate in order to make a tax exempt purchase.

Vehicle Registrations.

New Washington residents, unless exempt, must obtain a valid Washington driver's license and register their vehicles within 30 days from the date they become residents. Exemptions include a person in the military, a nonresident driver, borrowed vehicles, or business vehicles.

Failure to register a vehicle in Washington before operating it on the highways is a traffic infraction of \$529, and no part may be suspended or deferred. The avoided taxes and fees must be deposited and distributed in the same manner as if the taxes and fees were paid in a timely fashion.

Licensing a vehicle in another state by a resident of this state to evade the payment of any tax or license fee imposed in connection with registration is a gross misdemeanor punishable as follows:

- for a first offense, up to one year in the county jail and payment of a fine of \$1,529, no part of which may be suspended or deferred; and
- for a second or subsequent offense, up to one year in the county jail and payment of a fine of \$5,529, no part of which may be suspended or deferred.

The fines levied will be deposited in the Vehicle Licensing Fraud Account to be used only for vehicle license fraud enforcement and collections by the Washington State Patrol and the Department of Revenue.

Failure to register an aircraft or failure to register a vessel are gross misdemeanors. For a second or subsequent offense, the person is subject to a fine of four times the amount of avoided taxes and fees which may not be suspended or deferred.

Summary of Bill:

Nonresident Sales Tax Remittance Program.

The nonresident sales tax exemption is converted to a remittance program. Refunds may only be requested by nonresidents for the immediately preceding calendar year, and must be for at least \$25. In addition, a nonresident may only make one refund request per calendar year. The request must include proof of nonresident status as prescribed by the Department

of Revenue. Penalties are created for making fraudulent statements or submitting fraudulent documents.

Deferred Finding Program.

Any county may set up a deferred finding program for persons who receive a citation for failing to register a vehicle, an aircraft, or a vessel.

The citation must be dismissed if the person cited has paid a \$500 fine; has a valid State of Washington driver's license; and registered the vehicle, aircraft, or vessel. If receipt of proof does not occur within 90 days of the citation, the county prosecutor must seek the full penalty. Fines generated pursuant to the deferred finding program must be used by the county for enforcement and prosecution of registration requirements.

A person must not have a previous citation nor participated in a program of deferred finding for failing to register a vehicle, an aircraft, or a vessel to be eligible for the deferred prosecution program.

Appropriation: None.

Fiscal Note: Requested on April 25, 2019.

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

Staff Summary of Public Testimony:

(In support) None.

(Opposed) None.

Persons Testifying: None.

Persons Signed In To Testify But Not Testifying: None.