
Finance Committee

HB 3126

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

Sponsors: Representatives Loomis, Orcutt, Hunter, McIntire, Priest, Roach, Condotta, Kelley and Rolfes.

Brief Summary of Bill

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

Hearing Date: 2/5/08

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 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 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

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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: Requested on January 28, 2008.

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