

SENATE BILL REPORT

SHB 3126

As Reported By Senate Committee On:
Ways & Means, March 03, 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: House Committee on Finance (originally sponsored by Representatives Loomis, Orcutt, Hunter, McIntire, Priest, Roach, Condotta, Kelley and Rolfes).

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

Committee Activity: Ways & Means:2/25/08, 3/3/08 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hobbs, Honeyford, Keiser, Kohl-Welles, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Staff: Dean Carlson (786-7305)

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 local sales taxes to the jurisdictions. (If the firm actually

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has nexus within the city, then it is still potentially subject to registration for local business tax purposes.)

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Substitute Bill: PRO: The cities are pro on this bill. This issue was brought to our attention because cities use sales tax information to determine who is conducting business in their city. We want to make sure the streamline sales tax works. We are working with business to create a model letter. It was never the intent of the streamline sales tax agreement to impose a new tax on business. Our member clearly supports this bill. This is a good step and will help out a lot of retailers. This is a great fix. I was contacted by a gentleman that was concerned that he would be required to be licensed in all the cities he ships to.

Persons Testifying: PRO: Representative Liz Loomis, prime sponsor; Amber Carter, Association of Washington Business; Mark Johnson, Washington Retailers Association; Jim Justin, Association of Washington Cities; Troy Nichols, National Federation of Independent Business.