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## Finance Committee

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### HB 1502

**Brief Description:** Imposing fees for reseller permits.

**Sponsors:** Representatives Carlyle and Ryu; by request of Department of Revenue.

<p style="text-align: center;"><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Authorizes the Department of Revenue to impose a \$25 fee on the issuance or renewal of a reseller permit.</li></ul>
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**Hearing Date:** 2/8/13

**Staff:** Dominique Meyers (786-7150).

**Background:**

Prior to legislation in 2009, persons purchasing goods or services for resale were exempt from the retail sales tax if they provided the seller with a resale certificate. The resale certificate was a document or combination of documents that substantiated the wholesale nature of a sale. Resale certificates were not issued by the Department of Revenue (Department), but could be obtained from the Department's website.

Purchases of materials by contractors performing construction for consumers (custom construction) where the materials will become part of the completed project, are purchases for resale (wholesale purchases). Such purchases are not subject to retail sales tax. Such contractors may also purchase subcontractor services for resale. This tax treatment also applies to subcontractors working on custom construction projects.

Speculative contractors (spec construction) may not purchase materials that will become part of the project for resale and must pay sales tax. This is the same for the subcontractors that work for them. They are the end consumer of the materials or services and thus have to pay sales tax on these purchases.

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*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.*

Beginning January 1, 2010, the requirement for a resale certificate was eliminated and replaced with a seller's permit. The seller's permit is issued by the Department to businesses registered with the Department if the business makes wholesale purchases. This is determined based generally on industry type and reporting history. Businesses that do not make wholesale purchases as part of their business do not qualify for a seller's permit.

In general, seller permits are valid for 24 or 48 months depending on specific criteria. Businesses seeking a new seller's permit or to renew or reinstate a seller's permit must apply to the Department. The Department must rule on applications within 60 days.

Custom contractors may apply for a seller's permit valid for one year and must reapply for a permit each year. Beginning July 1, 2011, the Department may extend the renewal period to 24 months if the Department is satisfied the contractor meets specific criteria and is entitled to make purchases at wholesale. Starting July 1, 2013, seller permits issued or renewed by contractors will be valid for 24 months.

**Summary of Bill:**

Starting July 1, 2013, a \$25 fee will be imposed on the issuance or renewal of a reseller permit. All reseller permits must be renewed every two or four years depending on certain criteria. The Department may waive or cancel the reseller permit fee for good cause, as determined by the Department.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 2013.