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## Finance Committee

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### HB 1559

**Brief Description:** Creating a sales tax holiday for back-to-school clothing and supplies.

**Sponsors:** Representatives MacEwen, Pettigrew, Shea, Reeves and Jenkins.

<p style="text-align: center;"><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Provides a sales and use tax exemption for clothing and school supply items during the second weekend in August.</li></ul>
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**Hearing Date:** 2/25/19

**Staff:** Rachelle Harris (786-7137).

**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.

Tax Preference Performance Statement.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference.

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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.*

All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

**Summary of Bill:**

A retail sales tax exemption is provided for clothing items that cost less than \$100 and school supply items that cost less than \$10 for purchases made during the second weekend of August each year. A use tax exemption is provided for clothing and school supply items that are not used primarily for business-related activities.

The exemption is scheduled to expire January 1, 2030. The bill is exempted from TPPS requirements and the JLARC review.

**Appropriation:** None.

**Fiscal Note:** Available.

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