

HOUSE BILL REPORT

HB 1126

As Passed House:
January 30, 2025

Title: An act relating to standardizing notification provisions relating to local tax rate changes and shared taxes administered by the department.

Brief Description: Standardizing notification provisions relating to local tax rate changes and shared taxes administered by the department.

Sponsors: Representatives Walen, Reeves, Ryu, Wylie and Hill; by request of Department of Revenue.

Brief History:

Committee Activity:

Finance: 1/21/25, 1/23/25 [DP].

Floor Activity:

Passed House: 1/30/25, 96-0.

Brief Summary of Bill

- Updates the notification requirements to the Department of Revenue for local governments changing a local sales and use tax rate.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 15 members: Representatives Berg, Chair; Street, Vice Chair; Orcutt, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Abell, Chase, Mena, Parshley, Penner, Ramel, Santos, Scott, Springer, Walen and Wylie.

Staff: Tracey Taylor (786-7152).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

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 product, or service, then use tax applies to the value of the property, digital product, or service when used in this state.

The state, all counties, and all cities levy 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 4.1 percent, depending on the location. There are some local sales and use taxes that are credited against the state sales tax to ensure that the consumer does not experience a total tax rate increase. The Department of Revenue (DOR) collects and distributes local sales and use taxes for local governments, retaining 1 percent as an administrative fee in most cases.

Changes to a local retail sales and use tax rate by a local government may only occur on the first day of January, April, or July. In most cases, the local government must notify the DOR at least 75 days before the change is to take effect. In the case of a local sales and use tax that is credited against the state portion of the sales and use tax, the DOR must receive notice at least 30 days prior to the effective date of the new local sales and use tax rate.

Summary of Bill:

Notification of a change to local sales and use tax rates by a local government to the DOR must be in writing and include a copy of the signed ordinance or resolution enacting the tax rate change. If the local sales and use tax rate change is due to an annexation, the written notification must include a copy of the complete ordinance containing a legal description, a map showing the boundaries of the annexed areas, and a list of all parcel numbers in the annexed area.

For a public facilities district that imposes a local sales and use tax credited against the state sales and use tax to finance a bond issuance, the public facilities district must notify the DOR of the actual date of retirement of the bonds at least 75 days prior to the bonds' retirement.

Appropriation: None.

Fiscal Note: Available.

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) This is an agency-requested bill to promote good government administration.

The Department of Revenue (DOR) is an efficient, centralized administrator of sales and use tax collections for the counties, cities, and thousands of local taxing districts. It is vital that the DOR have accurate and timely information about local tax rates. Businesses rely on the information the DOR provides, and this bill ensures that the local governments provide the necessary information to ensure the proper local sales and use taxes are being collected.

(Opposed) None.

Persons Testifying: Representative Amy Walen, prime sponsor; and Steve Ewing, Department of Revenue.

Persons Signed In To Testify But Not Testifying: None.