

SENATE BILL REPORT

SB 5315

As Reported by Senate Committee On:
Local Government, 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: Senators Gildon, Salomon and Nobles; by request of Department of Revenue.

Brief History:

Committee Activity: Local Government: 1/27/25, 1/30/25 [DP].

Brief Summary of Bill

- Requires local governments to notify the Department of Revenue of a change in local sales and use tax rates in writing and include additional information as needed.

SENATE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass.

Signed by Senators Salomon, Chair; Lovelett, Vice Chair; Torres, Ranking Member; Bateman and Goehner.

Staff: Karen Epps (786-7424)

Background: Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. 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.

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.

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. 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. Some local sales and use taxes are credited against the state sales and use tax resulting in no overall rate increase to the consumer.

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 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, 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: A local government must notify DOR of a change to local sales and use tax rates 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 results from 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.

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 must notify DOR of the actual date of retirement of the bonds in writing at least 75 days prior to the bonds' retirement.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: The bill requires that notification be given in writing to the Department of Revenue along with all of the relevant information that DOR needs in order to update their records. This is a good government bill. DOR administers a lot of local taxes on behalf of local governments and DOR wants to make sure it is staying on top of any changes so that businesses know what they should be collecting from their customers. This bill establishes a standardized notice when local governments change their rate, annex property, or when bonds are retired by a public facilities district. This is a good bill to provide good service to local governments. This bill will help small businesses.

Persons Testifying: PRO: Senator Chris Gildon, Prime Sponsor; Steve Ewing, Dept. of Revenue; Mark Johnson, Washington Retail Association.

Persons Signed In To Testify But Not Testifying: No one.