

Minutes: SST Mitigation Advisory Committee Meeting

**Meeting
purpose**

This annual meeting of the SST Mitigation Advisory Committee was held to discuss the suggested adjustments to the mitigation calculation as a result of business issues brought forth by the jurisdictions and the Department of Revenue and to have the Committee decide whether the adjustments would be included in the mitigation calculation.

**Date, time, and
place**

Date: Friday, July 15, 2011

Time: 10 a.m.

Place: Department of Revenue, 1025 Union Avenue, SE, Olympia, WA

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Attendees Lorrie Brown, Office of Financial Management (participated by phone)
Shelley Coleman, City of Auburn
Jennifer Ferrer, City of Tukwila
Lyman Howard, City of Sammamish
Doug Levy, Lobbyist for Cities of Kent, Everett, Federal Way, Renton,
Puyallup, and Redmond
Lucy Liu, City of Bellevue
Bob Nachlinger, City of Kent
Sheri Sawyer, Association of Washington Cities

Department of Revenue Staff – Kim Davis, Don Gutmann, Beth Leech, Diane Mielke, Larry Schmitt, Valerie Torres, Andy Van Gerpen

Topics discussed The table below identifies the topics discussed in the meeting and the person who led each discussion.

Topic	Discussion Leader
Introduction, Purpose of the Annual Meeting	Don Gutmann
Adjustments to the Mitigation Data	Valerie Torres
Discuss Timeline for 2012 Annual Review	Beth Leech
2011-2013 Biennial Budget – SST Mitigation Appropriation	Don Gutmann
Next Annual Meeting	Don Gutmann

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Adjustments to the mitigation data

For the 2011 review period, one jurisdiction submitted issues for two businesses that the jurisdiction believed were the result of the change to destination-based sourcing. These two businesses were already under review.

The issue for one of the businesses was resolved. The other business has been repeatedly contacted by the Department of Revenue but has not adequately responded with the information needed to make adjustments.

An issue with one business that had previously been reviewed has been resolved. The resolution took 18 months from the time the issue was originally submitted.

DOR Recommendations

The Department recommends making adjustments for the issue that was submitted during the 2011 review period and the issue that was resolved after 18 months.

These two businesses represent a significant amount of taxable activity, and the adjustments will result in a significant loss for at least one local jurisdiction and will positively or negatively impact over 190 locations.

The Committee members agreed that these two adjustments should be made.

No one had any other issues to submit.

PFD review

Public facilities districts will be reviewed in October of this year. This will be the third and final analysis to determine whether a PFD has experienced a sales and use tax collections net loss of at least 0.50 percent due to destination-based sales tax.

PFDs will be notified of the Department's findings by the end of October.

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Timeline for 2012 review schedule for 2013 payments

- The Department of Revenue will provide the finalized annual business-level detail data to local jurisdictions by the end of August 2011.
 - Local jurisdictions need to review the data and send any questions about businesses to DOR by the end of April 2012.
 - The Department will review any submissions, contact the businesses, and categorize any possible adjustments by the end of June 2012.
 - The annual meeting will be held in early July 2012. At the meeting any adjustments will be reviewed by the committee and will be approved or disapproved.
 - If there are adjustments to be made, DOR will provide the updated gain/loss amounts to the local jurisdictions by the end of August 2012.
 - DOR will calculate the first payment based on the annual gain/loss amounts by December 2012.
 - Adjustments approved in 2012 will affect mitigation payments made in December 2012, March 2013, June 2013, and September 2013.
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2011-2013 Biennial Budget – SST Mitigation Appropriation

The 2011 Legislature decreased the mitigation account appropriation by 3.4 percent. The amount appropriated for the 2011-2013 Biennium is \$49,635,000, a reduction of \$1,741,000. The Department of Revenue estimates that this amount will not fully fund the mitigation payments for the 2011-2013 Biennium.

There is no language in the bill that tells how to proceed if there is a shortfall. DOR's lawyer said we might have to seek legislative action in the upcoming session, or we might have to wait until the last quarter of the biennium and reduce the payments by \$1.7 million. This reduction affects the next eight quarters beginning with the September 2012 payment.

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**2011-2013
Biennial
Budget – SST
Mitigation
Appropriation
(continued)**

Committee members suggested that they not take the 3.4 percent reduction each quarter but rather wait until the end of the biennium and do a true-up in the last quarter.

Shelley Coleman stated that she would want the true-up written in the legislation; if it's not in the legislation, she would want to take the 3.4 percent reduction every quarter.

Shelley asked Valerie how the voluntary compliance payments were going. Valerie stated that we have seen an increase in the payments. Shelley said that their mitigation payments are being eroded by any voluntary compliance and they are stagnant. If there is any money left in the mitigation appropriation, they would like to have it.

Doug Levy asked what the numbers were for voluntary compliance. Don Gutmann said he will send out a briefing paper about voluntary compliance to everyone on the listserv.

Decision: Don stated that local jurisdictions should expect to get their full payment in September. If that changes, DOR will notify the jurisdictions.

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Budget – SST Mitigation Appropriation (continued)Next annual meeting

Don asked the committee members whether they would prefer to meet in person or have a teleconference meeting for next year’s annual meeting. Members said they would prefer an in-person meeting if there is a long agenda and if it is a large teleconference, as you will tend to have multiple people trying to talk at the same time.

Other issues

Lyman Howard asked whether the amnesty program had any impact on local distributions. Don said the sales tax money mostly went into the pool fund. The bulk of the amnesty money would have been in the May and June distributions.

Don talked about the Sprint Spectrum court case that deals with whether the sales tax exemption in RCW 82.08.0289 for service provided to an individual subscribing to a residential class of telephone service applies to cell phones. The outcome of this case could have a significant impact on local governments. Don will send information on the Sprint Spectrum case to everyone on the listserv.

Meeting minutes

The meeting minutes are submitted by Diane Mielke.
