

Options for increasing state sales and use tax

Description This proposal would increase the state retail sales and use rate using one of the options listed below:

Option	Current Rate	Proposed Rate	Affected Taxpayers
1a	6.5%	6.6%	195,000
1b	6.5%	7.0%	195,000
1c	6.5%	7.5%	195,000

Current Law Under current law, the state sales and use tax rate is 6.5%. This rate has been in effect since March 1, 1983.

Revenue Impact General Fund Impacts (\$ millions):

	# of Taxpayers	FY 2016	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
1a	195,000	\$ -	\$ 128.6	\$ 128.6	\$ 148.6	\$ 155.3	\$ 303.9
1b	195,000	\$ -	\$ 640.3	\$ 640.3	\$ 739.7	\$ 811.7	\$ 1,551.4
1c	195,000	\$ -	\$ 1,280.7	\$ 1,280.7	\$ 1,471.4	\$ 1,538.3	\$ 3,009.7

Notes:

- Local government revenues will decrease due to a reduction in taxable sales due to the higher tax rate (elasticity).
- Estimates assume a July 1, 2016 effective date, representing 11 months of collections for FY 2017.
- Estimates reflect the November 2015 Economic & Revenue Forecast Council revenue forecast.

Expenditure Impact

#	FY 2016	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
1a	\$ 192,200	\$ 416,400	\$ 608,600	\$ 228,700	\$ 118,100	\$ 346,800
1b	\$ 192,200	\$ 416,400	\$ 608,600	\$ 228,700	\$ 118,100	\$ 346,800
1c	\$ 192,200	\$ 416,400	\$ 608,600	\$ 228,700	\$ 118,100	\$ 346,800

Notes:

- Expenditures assume that the lodging caps statutes (RCW 82.14.410 & 67.28.181) will be amended; increasing the sales tax rate without amending the statutes will cause many jurisdictions to exceed the cap.
- FY 2016 costs represent initial implementation costs and may include items such as system changes, tax return modifications, and taxpayer education.