

Refund state sales tax if nonresident pays \$25 or more sales tax in a year

Description

This proposal would change the existing nonresident sales tax exemption to a refund program for the state portion (6.5%) of the sales tax only. This would require qualified nonresidents (both businesses and individuals) to apply for a refund of state sales tax (not local sales tax) from the Department instead of receiving the exemption at the point of sale.

The sales tax exemption at the point of sale would cease. In addition:

- Applications for state sales tax refunds would be made electronically once a year;
 - Applications would be accepted only for refunds of \$25 or more;
 - Applications would be accepted for purchases made within the preceding calendar year, starting January 1 of the year following the effective date;
 - A nonresident could file only one application per year; and
 - Sales receipts, addresses of the places of purchase, and other documentation as required by the Department would need to be submitted.
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Current Law

Under RCW 82.08.0273, bona fide residents of any state, U. S. possession, or Province of Canada that does not impose a sales tax or similar consumer tax of 3% or more may purchase tangible personal property for use outside this state without paying Washington's sales tax.

The seller is not required to make a tax-free sale to a nonresident, but if he/she does:

- The exemption must be claimed at the time of sale;
 - The purchaser must provide proof of exemption to the seller; and
 - The seller must retain a record of the proof.
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Refund state sales tax if nonresident pays \$25 or more sales tax in a year, Continued

Revenue Impact

General Fund Impacts (\$ millions):

# of Impacted Taxpayers	FY 2016	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
132,000	\$ -	\$ 23.9	\$ 23.9	\$ 27.2	\$ 28.2	\$ 55.4

Notes:

- 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
\$ 133,300	\$ 2,326,900	\$ 2,460,200	\$ 1,518,700	\$ 1,512,600	\$ 3,031,300