

Refund state portion of sales tax to nonresidents

Description This proposal would change the current nonresident sales tax exemption to a refund program for the state portion (6.5 percent) 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 of Revenue 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 for purchases made in the preceding calendar year;
- Applications would be accepted only for refunds of \$25 or more; and
- Sales receipts, addresses of the places of purchase and other documentation as required by the Department of Revenue would need to be submitted.

Current Law Under RCW 82.08.0273, bona fide residents of a state, U.S. possession or territory, or province of Canada that does not impose a sales tax or similar consumer tax of 3 percent 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 the seller does:

- The purchaser must provide proof of exemption to the seller, and
- The seller must retain a record of the proof.

Original Purpose and Current Analysis To enable Washington sellers, especially along the Oregon border, to compete with merchants in other states that either do not levy a retail sales tax or levy a sales tax with a low rate.

Citizen Commission Recommendation The Citizen Commission recommended the Legislature review and clarify this preference because there is no explicitly stated public policy objective.

**Revenue
Impact**

This proposal affects approximately 130,000 taxpayers and has the following state impacts:

Fund	FY 2018	FY 2019	FY 2020	FY 2021
General Fund	\$23,110,000	\$26,078,000	\$26,949,000	\$27,697,000
Performance Audit	\$37,000	\$42,000	\$43,000	\$45,000
Fiscal Year Total	\$23,147,000	\$26,120,000	\$26,992,000	\$27,742,000
Biennial Total		\$49,267,000		\$54,734,000

- *Estimates assume a July 1, 2017, effective date, representing 11 months of collections for FY 2018.*
 - *Estimates reflect the November 2016 Economic and Revenue Forecast Council revenue forecast.*
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