



FOR IMMEDIATE RELEASE

For more information, contact:

Mike Gowrylow

(360) 570-6048

Replacing Resale Certificates with Sellers' Permits to Curb Abuse, Generate More Than \$100 Million Annually

Olympia, Wash., May 19, 2009 — Governor Chris Gregoire today signed legislation to curtail abuse of resale certificates that costs state and local governments more than \$100 million annually in unpaid sales tax revenue.

Senate Bill 6173 replaces self-issued resale certificates with sellers' permits that must be pre-approved by the Department of Revenue. The law takes effect Jan. 1, 2010. The Department will be conducting an extensive outreach effort to help businesses prepare for the changeover.

Resale certificates allow businesses to purchase items for resale without paying sales tax. The sales tax is then paid by the final consumer of the product.

The legislation is projected to generate \$130 million in state and local sales tax during the 2009-11 biennium, and \$204 million during the 2011-13 biennium.

Compliance studies have shown that some businesses use resale certificates to buy products tax free for personal use with no intention of selling the items to customers. In addition, misuse of resale certificates by the construction industry accounts for about 40 percent of the \$100 million in unpaid sales tax, the Department estimates.

Governor Gregoire said plugging this loophole will help improve compliance at a time when state and local governments are facing serious budget challenges.

"These aren't new taxes, but rather taxes that should have been paid but were not," Gregoire said. "This change will help ensure that everyone pays their fair share."

More information on sellers' permits is available at <http://dor.wa.gov/sellerspermit>.

###