

HB 1267

Bill Analysis

February 4, 1997

Brief Description: Providing a use tax exemption for vessel manufacturers and dealers.

Bill Sponsors: Representatives B. Thomas; Zellinsky; and Dickerson.

Staff: Linda Brooks (786-7153)

Background: The sales tax is imposed on retail sales of most items of tangible personal property and some services. The state tax rate is 6.5 percent and is applied to the selling price of the article or service. In addition, local sales taxes apply. The total tax rate is between 7 percent and 8.6 percent, depending on location. Sales tax applies when items are purchased at retail in state. Sales tax is paid by the purchaser and collected by the seller.

Use tax is imposed on the use of an item in this state, when the acquisition of the item has not been subject to sales tax. Use tax applies to items purchased from sellers who do not collect sales tax, items acquired from out-of-state, and items produced by the person using the item. Use tax is equal to the sales tax rate multiplied by the value of the property used. Use tax is paid directly to the department of revenue.

The use tax does not apply to the display of inventory by a seller. However, if a seller purchases property without paying retail sales tax and uses the property as a demonstrator, for personal use, or for any purpose other than display as inventory for sale, the use tax applies even if the property may later be sold.

Summary of Bill: Manufacturers and dealers of vessels (watercraft) are exempt from use tax when a vessel or vessel trailer is used for the following purposes, as defined in the bill: testing, training, sales promotion, loaning to nonprofit organization for up to 72 hours, displaying or demonstrating at a show, delivery to a buyer or person involved in manufacture or sale of the vessel, and demonstration to a potential buyer. If the manufacturer or dealer uses the vessel for personal use, the use tax must be based on the reasonable rental value of the vessel used, but only if the vessel is truly held for sale.

Fiscal Note: Available

House of Representatives
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Effective Date: Ninety days after adjournment of session in which bill is passed.