

January 26, 1998

BILL ANALYSIS

TO: Members, Committee on Trade and Economic Development

FROM: Kenny Pittman, Research Analyst (786-7392)

RE: **HB 2683 - Exempting from sales and use tax motion
picture or video production equipment and supplies.**

BACKGROUND:

Washington's tax structure includes a retail sales and use tax. A retail sales tax is imposed on the sale of most items of tangible personal property and some services purchased at retail. The state also imposes a use tax on items used in the state, where the acquisition was not subject to the retail sales tax. This includes purchases made in other states, purchases where the seller does not collect sales tax, and items produced for use by the producer.

The state's retail sales tax is based on 6.5 percent of the selling price. Local governments may, depending on the location, also impose an additional sales and use tax up to 2.1 percent of the selling price. The combined state and local retail sales and use tax rate currently ranges from 7 percent to 8.6 percent.

In 1995, the Legislature exempted the rental of production equipment or the sale of production services to a motion picture or video production business from state and local retail sales and use taxes. This exemption included, but was not limited to cameras, lighting equipment, helicopters rented for movie or video production, and vans and trucks specifically equipped for movie and video production. In 1997, this exemption was expanded to include other vehicles used solely for production activities.

SUMMARY:

The retail sales and use tax exemption for production equipment used for motion picture or video production is expanded to include supplies and all items necessary and essential to the production or postproduction of motion pictures or videos. The type of additional equipment and supplies eligible for the

exemption include other communication equipment, items used for wardrobe, hair, and makeup design, and stage and set construction and decoration.

Appropriation: None.

Fiscal Note: Requested January 17, 1998.

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