

FINAL BILL REPORT

SB 6591

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Synopsis as Enacted

Brief Description: Changing the taxation of tobacco products to provide for the taxation of products purchased for resale from persons immune from state tax.

Sponsors: Senators Prentice and Oke; by request of Department of Revenue.

Senate Committee on Labor, Commerce & Financial Institutions

Background: The tobacco tax applies to the sale, use, consumption, handling, or distribution of all tobacco products in the state. Tobacco products and cigarettes are taxed separately. Examples of tobacco products are cigars, pipe tobacco, and chewing tobacco. The tax is based on the wholesale price, which is the price charged by the manufacturer to a distributor.

Currently, the tobacco tax is imposed on "distributors." The tax is due from the distributor when the distributor brings tobacco products into the state, manufactures tobacco products in the state, or ships tobacco products to retailers in the state. However, there are persons in the state who are not required to pay the tobacco tax. When a person who is immune from state taxation acts as a distributor of tobacco products, the state tobacco tax is not collected.

Summary: The definition of distributor is changed to include sellers of tobacco products that handle tobacco products which have not been subjected to the tobacco tax. Therefore, distributors who sell tobacco products must pay the tobacco tax in cases where the tax has not already been paid.

The definition of person is changed to exclude federal governmental entities and federally recognized Indian tribes from the definition.

The Department of Revenue must develop invoicing rules for the class of distributors created under this new subsection and those invoices required to be provided to retailers under current Washington law.

A retailer failing to pay the tobacco tax on uninvoiced tobacco products is not assessed penalties for the first offense. However, penalties and interest are assessed for any subsequent nonpayments as provided for under current Washington law.

Votes on Final Passage:

Senate	47	0
House	87	10 (House amended)
Senate	44	1 (Senate concurred)

Effective: July 1, 2002