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**Finance Committee**

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**HB 1358**

**Brief Description:** Concerning a sales and use tax exemption for restaurants in respect to certain items that impart flavor to food during the cooking process.

**Sponsors:** Representatives Springer, Nealey, Tharinger, Orcutt and Fey.

**Brief Summary of Bill**

- Provides restaurants with a sales or use tax exemption for purchases of specific items used during the cooking process.

**Hearing Date:** 2/1/13

**Staff:** Dominique Meyers (786-7150).

**Background:**

All retail sales of tangible personal property, except for specific exemptions provided in statute, are subject to retail sales tax. Use tax is imposed on the privilege of using tangible personal property where sales tax was not collected. The state sales tax rate is 6.5 percent, with local rates ranging from .05 to 3.0 percent.

A meal purchased at a restaurant is a retail sale. Restaurants are exempt from paying sales tax on the food they purchase for resale. These purchases are exempt in statute as an ingredient of the final product sold to customers at retail. Items purchased by restaurants to aid in the cooking process and impart flavor to food are not defined as an ingredient of the final product sold; therefore, restaurants must pay sales tax on these items.

**Summary of Bill:**

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Retail sales to restaurants of items completely or substantially consumed and that impart flavor during the cooking process are exempt from sales and use tax. In addition, items comprised entirely of wood and that support food during the cooking process are exempt from sales and use tax. The exemption does not apply to the retail sale of gas fuel to a restaurant.

Restaurants are required to provide an exemption certificate to the seller when making tax-exempt purchases.

**Appropriation:** None.

**Fiscal Note:** Requested on January 28, 2013.

**Effective Date:** This act takes effect August 1, 2013.