

SENATE BILL REPORT

SB 5390

AS OF FEBRUARY 19, 1991

Brief Description: Creating tax exemptions for certain personal property.

SPONSORS: Senators Owen and McCaslin.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7715)

Hearing Dates:

BACKGROUND:

Property that is purchased for resale is exempt from the retail sales tax because it is not a retail sale. For the same reason, the renting and leasing of tangible personal property for resale without intervening use by the lessee is not subject to the retail sales tax.

The renting and leasing of personal property to consumers is subject to sales tax. Only one sales tax applies to the rental. If the lessee uses the rented personal property in making another retail sale, the lessee must collect tax on the charge to the lessee's buyer. Since the charge includes the tax paid on the rented property, it appears that the sales tax is imposed twice. This situation occurs when rented personal property is used to make another retail sale.

SUMMARY:

The renting or leasing of tangible personal property is exempt from retail sales and use taxes if the property is used in making another retail sale. The burden of proving that the renting or leasing of tangible personal property was not taxable is on the seller unless the seller takes a certificate from the buyer bearing the name and registration number of the buyer and stating that the property was rented or leased for the purpose of making another retail sale.

Appropriation: none

Revenue: none

Fiscal Note: requested February 4, 1991

Effective Date: August 1, 1991