

SENATE BILL REPORT

SB 5435

AS REPORTED BY COMMITTEE ON WAYS & MEANS, MARCH 4, 1991

Brief Description: Exempting from the business and occupation tax certain deposits that are refunded.

SPONSORS: Senators L. Kreidler, Metcalf, Owen, Amondson, Sutherland, Snyder, Patterson, Oke, Wojahn and Conner.

SENATE COMMITTEE ON ENVIRONMENT & NATURAL RESOURCES

Majority Report: Do pass.

Signed by Senators Metcalf, Chairman; Oke, Vice Chairman; Amondson, Barr, Conner, Owen, Snyder, and Sutherland.

Staff: Atsushi Kiuchi (786-7708)

Hearing Dates: February 13, 1991

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5435 be substituted therefor, and the substitute bill do pass.

Signed by Senators McDonald, Chairman; Craswell, Vice Chairman; Bailey, Bauer, Bluechel, Cantu, Gaspard, Hayner, Johnson, L. Kreidler, Metcalf, Murray, Newhouse, Niemi, Owen, Rinehart, Saling, L. Smith, Talmadge, West, Williams, and Wojahn.

Staff: Terry Wilson (786-7715)

Hearing Dates: February 28, 1991; March 4, 1991

BACKGROUND:

The "Waste Not Washington" Act of 1989 established a comprehensive program to reduce the state's solid waste stream through waste reduction and recycling activities.

Some automotive products received special consideration due to the unique recycling and disposal problems they presented. The 1989 act established a core charge of not less than \$5 on each retail sale of an automotive battery. If the purchaser brought in a used battery, the core charge was not assessed. The core charge was established for two purposes: (1) to provide an incentive for the buyer to bring the battery to the seller for proper disposal; and (2) to promote recycling of the old battery by establishing a collection point at the seller's place of business. The core charge is currently subject to the state business and occupation tax as part of the gross proceeds of the sale.

SUMMARY:

A new definition of "redeemable credits or deposits" is established in the waste reduction and recycling laws. "Redeemable credits or deposits" means a refundable sum of money or value paid by a purchaser, separate from and in excess of the sales price, received by the seller to induce the return of used automotive products such as batteries, starters, and brakes for the purpose of maximizing waste reduction, reuse, recycling or remanufacture.

The state business and occupation tax statutes are amended. The new definition of "redeemable credits or deposits" shall not be included under the provisions of "gross proceeds of sales."

EFFECT OF PROPOSED SUBSTITUTE:

The definition of "redeemable credits or deposits" is moved to the tax code. "Value proceeding or accruing" is defined to exclude redeemable credits or deposits. An August 1, 1991, effective date is added.

Appropriation: none

Revenue: none

Fiscal Note: available

TESTIMONY FOR (Environment & Natural Resources):

Removal of the business and occupation tax will enhance the recycling, reuse, waste reduction and remanufacturing of these automotive parts. The bill will also provide financial equity for retailers who handle these products.

TESTIMONY AGAINST (Environment & Natural Resources): None

TESTIFIED (Environment & Natural Resources): Jan Gee, Washington Retailers Association (for)

TESTIMONY FOR (Ways & Means):

It doesn't make sense to tax refundable deposits. In addition, there are increased costs in separately accounting for core charges which the law requires to be imposed.

TESTIMONY AGAINST (Ways & Means): None

TESTIFIED (Ways & Means): Larry Stevens, Washington Automotive Wholesalers Assn (pro)