
Finance Committee

HB 1830

Brief Description: Clarifying that certain reusable packing materials are exempt from sales and use tax.

Sponsors: Representatives Springer, Vick and Shewmake.

<p>Brief Summary of Bill</p> <ul style="list-style-type: none">• Provides reusable packing materials with a sales and use tax exemption.

Hearing Date: 1/17/22

Staff: Tracey Taylor (786-7152).

Background:

Retail Sales and Use Tax.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 4.0 percent, depending on the location.

Tax Preferences.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax

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preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

Packing Materials Exemption.

A retail sale does not include the purchase of tangible personal property for the purpose of resale in the regular course of business without an intervening use by such person. In addition, a retail sale does not include the renting or leasing of tangible personal property to consumers.

A recent Washington Court of Appeals decision determined that reusable wooden pallets leased by food manufacturers constituted a "retail sale" and was subject to retail sales and use taxes.

Summary of Bill:

The renting or leasing of packing material under a packing material sharing and reuse program is not a retail sale and is not subject to retail sales and use tax.

A packing material sharing and reuse program is defined as an agreement with an administrator or operator that pools packing materials among multiple persons for reuse. "Packing materials" includes all boxes, crates, pallets, bottles, cans, drums, cartons, wrapping papers, cellophane, twines, gummed tapes, wire, bands, excelsior, and wastepaper.

Appropriation: None.

Fiscal Note: Requested on January 10, 2022.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.