
Finance Committee

HB 1340

Brief Description: Exempting prepared food from sales tax.

Sponsors: Representatives Manjarrez, Connors, Jacobsen, Couture, Klicker, Shavers, Marshall, Barkis, Barnard and Schmidt.

<p>Brief Summary of Bill</p> <ul style="list-style-type: none">• Exempts prepared food from sales and use tax.

Hearing Date: 2/7/25

Staff: Kristina King (786-7190).

Background:

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 are not collected when the user acquires 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 4.1 percent, depending on the location.

Sales of food and food ingredients are exempt from sales and use tax except for the following:

- alcoholic beverages containing 0.5 percent or more of alcohol by volume;
- tobacco products;
- cannabis, useable cannabis, and cannabis-infused products;
- soft drinks;

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- bottled water;
- dietary supplements; and
- prepared food.

Prepared food means:

- food sold in a heated state or heated by the seller;
- food sold with eating utensils provided by the seller; or
- two or more food ingredients mixed or combined by the seller for sale as a single item, except food that is only cut, repackaged, or pasteurized by the seller; or raw eggs, fish, meat, poultry, and foods containing these raw animal foods requiring cooking by the consumer.

Tax Preference Performance Statement.

Tax preferences confer reduced tax liability upon a designated class of taxpayers. These include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. There are over 700 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax 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.

Summary of Bill:

Prepared food is exempt from sales and use tax. An exemption from a TPPS, JLARC review, and the 10-year expiration is included.

Appropriation: None.

Fiscal Note: Available.

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