

# HOUSE BILL REPORT

## HB 2481

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As Passed Legislature

**Title:** An act relating to use tax on tangible personal property temporarily used in this state by a person engaged in business outside this state, and property purchased, extracted, produced or manufactured outside this state.

**Brief Description:** Modifying use tax on tangible personal property used in this state by a person engaged in business outside this state.

**Sponsors:** Representatives Holm, G. Fisher, Foreman and Kremen; by request of Department of Revenue.

**Brief History:**

Reported by House Committee on:  
Revenue, January 28, 1994, DP;  
Passed House, February 14, 1994, 93-1;  
Passed Legislature.

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### HOUSE COMMITTEE ON REVENUE

**Majority Report:** Do pass. Signed by 16 members: Representatives G. Fisher, Chair; Holm, Vice Chair; Foreman, Ranking Minority Member; Fuhrman, Assistant Ranking Minority Member; Anderson; Brown; Caver; Cothorn; Leonard; Romero; Rust; Silver; Talcott; Thibaudeau; Van Luven; and Wang.

**Staff:** Bob Longman (786-7139).

**Background:** The state retail sales tax is imposed on sales of most articles of tangible personal property and certain services. The use tax is imposed on the use of articles of tangible personal property when the sale or acquisition of the property has not been subject to sales tax. Use tax is equal to the sales tax rate multiplied by the value of the property used. The use tax commonly applies to purchases made by out-of-state sellers. The use tax also applies to the use of tangible personal property in this state by nonresident businesses. If property is used in this state by a nonresident business for less than 90 days in a 365-day period, the use tax is based on the reasonable rental value for the period, rather than the full value of the property.

For tax purposes, the use of property is defined as the first use within the state. However use tax is not due on

property received from outside the state until the transportation of the article has finally ended or until the article has become commingled with the general mass of property in this state.

**Summary of Bill:** The bill changes the time limit for using the reasonable rental value for use taxation of property temporarily in this state from 90 to 180 days. The bill also deletes statutory language prohibiting use taxation before the transportation of an article has finally ended or before the property has become commingled with the general mass of property in this state.

**Fiscal Note:** Requested January 21, 1994.

**Effective Date:** The bill takes effect July 1, 1994.

**Testimony For:** In some cases, where construction equipment has been here for over the 90-day limit, the amount of use tax due has exceeded the amount of money the contractor has made on the job. Allowing 180 days before taxing on the full value would be more fair. Removing the language about transportation finally ending and property commingling would make tax collection on mobile property easier. This would help the state collect use tax on vehicles, boats and airplanes. Removing this language would make our statute more consistent with other states' use tax treatment of mobile property.

**Testimony Against:** None.

**Witnesses:** Clair Hesselholt, Department of Revenue.