FINAL BILL REPORT

HB 2481

C 93 L 94
Synopsis as Enacted

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

By Representatives Holm, G. Fisher, Foreman and Kremen; by request of Department of Revenue.

House Committee on Revenue
Senate Committee on Ways & Means

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: The act changes the time limit for using the reasonable rental value as the basis 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.

Votes on Final Passage:

House	93	1
Senate	45	0

Effective: July 1, 1994