

SENATE BILL REPORT

HB 2481

AS REPORTED BY COMMITTEE ON WAYS & MEANS, FEBRUARY 23, 1994

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

HOUSE COMMITTEE ON REVENUE

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Rinehart, Chairman; Quigley, Vice Chairman; Anderson, Bauer, Bluechel, Gaspard, Hargrove, Hochstatter, Ludwig, McDonald, Moyer, Owen, Pelz, Roach, L. Smith, Snyder, Spanel, Sutherland, Talmadge, West, Williams and Wojahn.

Staff: Terry Wilson (786-7715)

Hearing Dates: February 22, 1994; February 23, 1994

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 time limit for using the reasonable rental value for use taxation of property temporarily in this state is changed from 90 to 180 days. 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 is deleted.

Appropriation: none

Revenue: none

Fiscal Note: available

Effective Date: July 1, 1994

TESTIMONY FOR:

The rental value tax is sometimes greater than the profit from the job. There is a conflict over when the use tax applies. The transportation language is from old U.S. Supreme Court cases that have been repudiated. There also is confusion over which jurisdiction is owed the tax. Owners of mobile property argue that no tax is due.

TESTIMONY AGAINST: None

TESTIFIED: Representative Foreman, prime sponsor (pro); Claire Hesselholt, Dept. of Revenue (pro)