

FINAL BILL REPORT

HB 1267

C 293 L 97

Synopsis as Enacted

Brief Description: Providing a use tax exemption for vessel manufacturers and dealers.

Sponsors: By House Committee on Finance (originally sponsored by Representatives B. Thomas, Zellinsky and Dickerson).

House Committee on Finance
Senate Committee on Ways & Means

Background: The sales tax is imposed on retail sales of most items of tangible personal property and some services. The state tax rate is 6.5 percent and is applied to the selling price of the article or service. In addition, local sales taxes apply. The total tax rate is between 7 percent and 8.6 percent, depending on location. Sales tax applies when items are purchased at retail in state. Sales tax is paid by the purchaser and collected by the seller.

Use tax is imposed on the use of an item in this state when the acquisition of the item has not been subject to sales tax. Use tax applies to items purchased from sellers who do not collect sales tax, items acquired from out-of-state, and items produced by the person using the item. Use tax is equal to the sales tax rate multiplied by the value of the property used. Use tax is paid directly to the Department of Revenue.

The use tax does not apply to the display of inventory by a seller. However, if a seller purchases property without paying retail sales tax and uses the property for any purpose other than display as inventory for sale, then the use tax applies even if the property may later be sold. For example, using the property as a demonstration model subjects it to use tax, even though the property may still be held for sale.

Summary: Manufacturers and dealers of vessels (watercraft) are exempt from use tax when a vessel or vessel trailer is used for the following purposes: testing, training, sales promotion, loaning to a nonprofit organization for up to 72 hours, displaying or demonstrating at a show, delivering to a buyer or person involved in the manufacture or sale of the vessel, and demonstrating to a potential buyer. If the manufacturer or dealer uses the vessel for personal use, the use tax must be based on the reasonable rental value of the vessel used, but only if the vessel is truly held for sale.

Notes on Final Passage:

House 94 0
Senate 48 0

Effective: July 27, 1997