

SENATE BILL REPORT

SB 5355

As Reported By Senate Committee On:
Ways & Means, April 7, 1997

Title: An act relating to tangible personal property donated to charitable organizations.

Brief Description: Extending the use tax exemption for donated property.

Sponsors: Senators Benton, Brown, Swecker, Finkbeiner, Patterson, Rossi and Winsley.

Brief History:

Committee Activity: Ways & Means: 2/13/97, 4/7/97 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5355 be substituted therefor, and the substitute bill do pass.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Bauer, Brown, Fraser, Hochstatter, Kohl, Long, Loveland, McDonald, Roach, Rossi, Schow, Sheldon, Snyder, Spanel, Swecker, Thibaudeau, Winsley and Zarelli.

Staff: Terry Wilson (786-7433)

Background: The sales tax is imposed on each retail sale 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 has not been subject to the sales tax. The use tax commonly applies to purchases made from out-of-state firms.

The sales tax does not apply to tangible personal property purchased for the purpose (1) of resale in the regular course of business without intervening use or (2) of incorporating the property as an ingredient or component of real or personal property without intervening use when installing, repairing, cleaning, altering, imprinting, improving, constructing, or decorating real or personal property of or for consumers. However, if the property is used by the purchaser rather than resold or incorporated into another item, the use tax is due.

Exempt from use tax are articles of tangible personal property acquired by gift if the donor has paid a sales or use tax on the property. Subsequent transfers, therefore, are subject to use tax. The use by nonprofit charitable organizations, the state, and local governmental entities of tangible personal property donated to them is also exempt from use tax.

Summary of Substitute Bill: An exemption from use tax is provided for the donation of tangible personal property without intervening use to a nonprofit charitable organization, or to the incorporation of tangible personal property without intervening use into real or personal property of or for a nonprofit charitable organization in the course of installing, repairing, cleaning, altering, imprinting, improving, constructing, or decorating the real or personal property for no charge. Also exempt is the subsequent use of the property by a

person to whom personal property is donated or bailed by a nonprofit charitable organization, the state, or local government in furtherance of the purpose for which the property was originally donated.

Substitute Bill Compared to Original Bill: The original bill was not considered.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: Contractors who donate materials nonprofit charitable organizations must pay tax on the materials. This tax is arbitrary and capricious. It is a tax on good deeds. This bill has a small budget impact and will create a lot of goodwill.

Testimony Against: None.

Testified: PRO: Senator Benton, prime sponsor.