
Finance Committee

HB 2826

Brief Description: Revising provisions for taxation of products from vending machines.

Sponsors: Representative Morris.

Brief Summary of Bill

- Provides that the selling price and the tax thereon, for the purposes of determining the tax under the retail sales tax, is 57 percent of gross receipts.
- Updates outdated statutory references regarding vending machines.

Hearing Date: 2/3/04

Staff: Mark Matteson (786-7145).

Background:

The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. The tax is levied at a 6.5 percent rate by the State. Cities and counties may levy a local tax at a rate up to a maximum of 3.4 percent currently, local rates levied range from 0.5 percent to 2.4 percent. Sales tax is paid by the purchaser and collected by the seller.

The use tax is imposed on items used in the state that were not subject to the retail sales tax, and includes purchases made in other states and purchases from sellers who do not collect Washington sales tax. The state and local rates are the same as those imposed under the retail sales tax. Use tax is paid directly to the Department of Revenue.

An exemption from the retail sales and use taxes is provided for food and food ingredients for human consumption, generally. This includes, in general, substances which are ingested or chewed for nutritional value or for taste. However, excluded from the exemption are dietary supplements, soft drinks, and prepared foods sold in a heated state.

Vending machine sales of food products for human consumption are also taxable, but under separate provisions. If the vending product is a heated prepared food, retail sales tax applies to the full sales price of the item. For other vending food items, the retail sales tax applies to 57 percent of the gross revenues derived from the sale of the food product. For vending machine sales, the requirements that the seller collect the tax from the buyer, and that the amount of tax be itemized separately, is waived.

In addition to the sale of food products via vending machines, the Department is authorized to allow certain sellers to pay retail sales tax in a different manner than under conventional circumstances. One such circumstance is where coins are inserted into a receptacle (such as a gum ball machine) and single purchases are of smaller value than would allow for the legitimate collection of one cent tax. In such cases, the selling price of the vending product for tax purposes is deemed to be 60 percent of gross receipts.

Summary of Bill:

The bill provides that the selling price and the tax thereon, for the purposes of determining the tax under the retail sales tax, is 57 percent of gross receipts.

Under the authorization to allow the Department to allow sellers to pay sales tax in a different manner than under conventional circumstances, the reference to coin receptacles is updated to refer to vending machines. Vending machines are defined to mean a machine or other mechanical device that accepts any sort of payment and then provides property or services.

Appropriation: None.

Fiscal Note: Requested on January 27, 2004.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.