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**Finance Committee**

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**HB 1530**

**Brief Description:** Modifying the definition of prepared food to exclude food required to be cooked by the consumer prior to consumption.

**Sponsors:** Representatives Wylie, Harris, Schmick, Ryu, Tharinger, Wilson, Pike and Moeller.

**Brief Summary of Bill**

- Expands the sales and use tax exemption for food and food ingredients to include food required to be cooked by the consumer prior to consumption.

**Hearing Date:** 1/30/15

**Staff:** Dominique Meyers (786-7150).

**Background:**

Sales and Use Tax.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use taxes applies to the value of property, digital product, or service when used in this state. The state, most cities, and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.1 percent, depending on the location.

Streamlined Sales and Use Tax Agreement.

In 2007 Washington enacted legislation to conform to the national streamlined sales and use tax agreement (SSUTA). The legislation took effect on July 1, 2008. The SSUTA is a voluntary multi-state effort to simplify and modernize sales and use tax administration for member states in order to substantially reduce the burden of tax compliance. Currently, 24 states are full members

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of the agreement. The agreement focuses on improving sales and use tax administration systems for all sellers and for all types of commerce through all of the following:

- state level administration of sales and use tax collections;
- uniformity in the state and local tax bases;
- uniformity of major tax base definitions;
- central electronic registration system for all member states;
- simplification of state and local tax rates;
- uniform sourcing rules for all taxable transactions;
- simplified administration of exemptions;
- simplified tax returns and tax remittances; and
- protection of consumer privacy.
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Uniformity of major tax base definitions is a key component to the agreement. The Streamlined Governing Board has approved changes or additions to the definitions included in the agreement to provide clarity and flexibility for states with respect to retail sales tax and exemptions. Most recently, in October of 2014, the Board approved a change in the definition of prepared food to exclude food that requires cooking, not just reheating, by the consumer prior to consumption. With this change, states that exempt food or food ingredients from retail sales tax may exempt food that was previously taxed as a retail sale of prepared food. Washington currently taxes prepared food as a retail sale.

**Summary of Bill:**

The sales and use tax exemption for food and food ingredients is expanded to include specific food items that currently do not qualify for the exemption. Specifically, foods required to be cooked, not just reheated, by the consumer prior to consumption qualify for the retail sales and use tax exemption.

The expansion of the retail sales tax exemption for food and food ingredients is excluded from tax preference performance requirements.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on October 1, 2015.