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## Finance Committee

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### ESB 5309

**Brief Description:** Providing a sales and use tax exemption for adult and baby diapers.

**Sponsors:** Senators Rivers, Brown, Das, Fortunato, Hasegawa, Keiser, Lovelett, Mullet, Robinson, Wilson, C. and Wilson, L..

<p style="text-align: center;"><b>Brief Summary of Engrossed Bill</b></p> <ul style="list-style-type: none"><li>• Provides a retail sales and use tax exemption for diapers, effective October 1, 2022.</li></ul>
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**Hearing Date:** 3/7/22

**Staff:** Kyle Raymond (786-7190).

**Background:**

Retail 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 tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities 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 4.0 percent, depending on the location.

Tax Preference Performance Statement.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences,

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including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

**Summary of Bill:**

A retail sales and use tax exemption is provided for diapers. A "diaper" means an absorbent incontinence product that is washable or disposable and is worn by a person, regardless of age or sex, who cannot control bladder or bowel movements.

A tax preference performance statement is included, stating the Legislature's intent to lessen the tax burden on Washington families. The Joint Legislative Audit and Review Committee (JLARC) is not required to perform a tax preference review. The tax preferences must be included in the Department of Revenue's tax exemption report.

The act is exempt from the requirements of a tax preference performance statement, a JLARC review, and the automatic 10-year expiration for tax preferences.

**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on March 5, 2022.

**Effective Date:** The bill takes effect on October 1, 2022.