

Repeal sales tax exemption on bottled water

Description This proposal would repeal the sales tax exemption on sales of bottled water to consumers. The tax would apply to both portable-sized bottles and to bulk bottled water sales (sales of water in large, reusable containers).

- An exemption in the form of a refund would apply to sales of bottled water for human use pursuant to a prescription.
- An exemption in the form of a refund would apply to sales of bottled water to persons lacking readily available potable water.

Current Law Under current law, sales tax does not apply to retail sales of bottled water.

- Until Jan. 1, 2004, sales of bottled water were subject to sales tax. At that time, legislation to conform to the Streamlined Sales and Use Tax Agreement (SSUTA) took effect and sales of bottled water became exempt from sales tax. In 2010, SSUTA was amended to allow member states to separately tax bottled water sales.
- In 2010, Senate Bill 6143 imposed sales tax on sales of bottled water beginning July 1, 2010, until Dec. 2, 2010, when the sales tax on bottled water was repealed by Initiative 1107.

Original Purpose and Current Analysis To conform to definitions of SSUTA. However, SSUTA has been amended to allow taxation of bottled water.

Citizen Commission Recommendation Not reviewed by the Citizen Commission.

Revenue Impact This proposal affects approximately 200,000 taxpayers and has the following state impacts:

Fund	FY 2018	FY 2019	FY 2020	FY 2021
General Fund	\$26,990,000	\$30,110,000	\$30,800,000	\$31,500,000
Performance Audit	\$40,000	\$50,000	\$50,000	\$50,000
Fiscal Year Total	\$27,030,000	\$30,160,000	\$30,850,000	\$31,550,000
Biennial Total		\$57,190,000		\$62,400,000

- *Estimates assume a July 1, 2017, effective date, representing 11 months of collections for FY 2018.*
- *Estimates reflect the November 2016 Economic and Revenue Forecast Council revenue forecast.*