

LITTER TAX
Chapter 82.19 RCW

Tax Base The value of products manufactured and sold within the state and the gross proceeds of products sold at wholesale or retail for the following 13 categories of products:

- food for human or pet consumption;
- groceries;
- cigarettes and tobacco products;
- soft drinks and carbonated waters;
- beer and malt beverages;
- wine;
- newspapers and magazines;
- household paper and paper products;
- glass containers;
- metal containers;
- plastic or fiber containers;
- cleaning agents and toiletries;
- sundry products of drugstores other than drugs.

In lieu of separate accounting for all products, the Department's administrative rule, WAC 458.20.243, allows drugstores to report tax on 50 percent of their total sales and grocery stores to report tax on 95 percent of their total sales.

Tax Rate 0.015 percent

Recent Collections (\$000)

<u>Fiscal Year</u>	<u>Collections</u>	<u>% Change</u>	<u>% of All State Taxes</u>
2009	\$8,848	(3.1)%	0.1%
2008	9,133	14.7	0.1
2007	7,962	0.7	0.0
2006	7,909	10.0	0.1
2005	7,190	3.1	0.1
2004	6,973	11.9	0.1
2003	6,229	1.3	0.1
2002	6,149	3.8	0.1
2001	5,926	1.3	0.1
2000	5,851	(14.3)	0.1

Levied by State

Administration

Department of Revenue. The litter tax is reported on the Combined Excise Tax Return by taxpayers who manufacture or sell any of the listed products.

Distribution of Receipts

Waste reduction, recycling, and litter control account. Funds are used by the Department of Ecology as follows: (1) from 40 to 50 percent for a litter patrol program employing youth to clean up public places; and (2) not more than 60 percent for public education and awareness programs relating to litter control and recycling, including development of markets for recycled products and cost of litter tax compliance.

Exemptions, Deductions and Credits

- items produced for consumption outside of the state;
- agricultural products by the original producer;
- sales for resale by grocery distribution cooperatives;
- food and beverages sold for consumption on-premises (including immediately adjacent and outdoor areas and food served by caterers).

History

The litter tax was included in the Model Litter Control and Recycling Act of 1971, the purpose of which is the effective control of litter within the state. The Act is codified as chapter 70.93 RCW and the litter tax initially appeared in RCW 70.93.120 until it was separately established as chapter 82.19 RCW in 1992. There have been no significant changes in the tax rate or base. However, a 1992 amendment provided that the Department could establish a taxable percentage of an industry's litter-related products which firms could choose to use in order to simplify the separate accounting for each type of litter product. In 1998, the reporting frequency was changed from once each year on the year-end tax return to require litter tax to be reported on each tax return throughout the year. In 2003, a new exemption was added for food and beverage items consumed on the premises of the seller.

From 1999 until 2008 the Department was required to perform a biennial analysis of litter tax compliance; this was repealed in 2008.

Discussion/Major Issues

Approximately 26,540 firms report litter tax.

Compliance problems for this tax are much improved over earlier years. The initial study done by the Department in 2001 estimated that over one-quarter of the potential tax liability, amounting to nearly \$2 million, was not paid. The latest analysis indicates that noncompliance is now down to about 3 percent. Taxpayer education programs have been successful in informing taxpayers about their liability. Also, the change in the reporting frequency from once per year to each reporting period has helped to remind firms of their litter tax liability.