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DEPARTMENT OF REVENUE
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TO: Members of the Streamlined Sales Tax Governing Board

FROM: The Honorable Representative Ross Hunter
Russ Brubaker, Senior Assistant Director for Tax Policy, Washington State
Department of Revenue
Cindi Holmstrom, Director, Washington State Department of Revenue

We are writing you in support of AM10001, the proposed amendment to the Streamlined Sales and Use Tax Agreement (SSUTA) that would permit states to apply sales tax to bottled water while exempting from sales tax other food and food ingredients. This is the kind of toggle that makes sense.

Streamlined is not meant to, and should not be, proscriptive to the point of putting state legislatures in tax policy straightjackets. We need to allow for reasonable tax policy choices by states. This is a reasonable policy choice that is easily administered by retailers and the states.

Passing this amendment does not endorse this policy choice, or require it of any state. But it does provide states with a policy option that will make sense for some, and allow them to tax a product in a manner consistent with similar products. We believe this amendment is needed for the following reasons:

- **Flexibility:** This amendment gives flexibility to member states in meeting their revenue needs without any injury to the principles of simplicity in administration.
- **Simplicity:** This amendment would not unduly burden retailers; it will be easy to distinguish bottled water from other products under the amendment's language.
- **Sound tax policy:** Bottled water is a discretionary purchase— similar to “candy” and “soft drinks.” Sound tax policy supports treating bottled water like these other discretionary products. States are free to enact entity-based or use-based exemptions protecting those without potable water and those who have medical conditions requiring bottled water.
- **Consumer and business friendly compared to alternatives:** Absent this amendment, some states will turn to indirect taxes on bottled water. These indirect taxes are less transparent and extremely burdensome for businesses.
- **Promotes SSUTA participation:** Some states who are not members of the SSUTA impose sales tax on bottled water. This amendment would promote SSUTA membership among these states by recognizing their right to establish sound tax policy for these discretionary purchases.

Finally, this amendment is consistent with the simplification efforts underlying the SSUTA. That is the amendment:

- **Reduces the risk of new burdens:** The amendment will mitigate the need of member states to enact new tax types on bottled water. These new tax types would impose substantial new burdens on bottlers, wholesalers, and retailers.
 - Our experience in working with representatives of these groups has been that a sales tax is usually preferred to some other type of tax.
- **Consistent with the goal of uniformity in definitions:** The SSUTA already allows several toggles in the food arena. This proposed toggle also makes sense and would be easy for states and retailers to administer uniformly. In fact, lack of a toggle like this for states that need it does not make sense.

We ask for your consideration and support of AM10001. If you have any question or comments, please do not hesitate to contact me. Thank you for your consideration.